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NOMINATIONS OF JACK C. PARNELL AND RICHARD T. CROWDER

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

ON

THE NOMINATIONS OF JACK C. PARNELL, OF CALIFORNIA, TO BE DEPUTY SECRETARY OF AGRICULTURE AND RICHARD T. CROWDER, OF MINNESOTA, TO BE DEPUTY UNDER SECRETARY FOR INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS

APRIL 11, 1989

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NOMINATIONS OF JACK C. PARNELL AND RICHARD T. CROWDER

TUESDAY, APRIL 11, 1989

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, DC.

The committee met, pursuant to notice, at 2:10 p.m., in room SR-332, Russell Senate Office Building, Hon. Patrick J. Leahy (chairman of the committee) presiding.

Present or submitting a statement: Senators Leahy, Harkin, Conrad, Baucus, Kerrey, Lugar, Helms, Cochran, Boschwitz, Bond, Wilson, and Gorton.

Also submitting a statement: Representative Norman D. Shumway.

OPENING STATEMENT OF HON. PATRICK J. LEAHY, A U.S. SENATOR FROM VERMONT

The CHAIRMAN. The meeting will come to order, please.

We are here to begin work on filling two of the vacant posts within the Department of Agriculture, the nominations of both Mr. Parnell and Dr. Crowder. These, incidentally, are the only two nominations in the Department of Agriculture to reach the Senate, other than, of course, Secretary Yeutter's nomination.

Mr. Parnell has been nominated for the Deputy of Secretary of Agriculture position, the No. 2 slot in managing the Department.

Dr. Crowder has been nominated for Under Secretary for International Affairs and Commodity Programs. This nomination is obviously very important, involving everything from multilateral trade negotiations to the great variety of commodity programs, and the 1990 farm bill.

Mr. Parnell will oversee the entire Department, including rural development, nutrition programs, environmental issues, groundwater, global warming, and so on.

As the committee begins hearings and work on a new 5-year farm bill, it would be very helpful if the administration would send up all the names. We will try to expedite them as quickly as possible.

I also thank all the people involved in rearranging their schedules to have this nomination hearing this afternoon. The President has asked us to expedite the hearing on the Contra aid compromise package, and as I am chairman of the subcommittee that has to hold the hearing, to accommodate the administration, we scheduled

that one on for tomorrow, and moved the nomination hearing to today.

Mr. Parnell, why don't you come on up here and take a seat.

Senator Wilson called me at home last night. He will be up to introduce you, but he is also—we have a very active President, and President Bush has him down there at the White House, and he is going to come up just as quickly as he finishes. I will yield to him when he does arrive, but I wanted you to know that before we start.

[The prepared statements of Senators Leahy and Cochran and Representative Norman D. Shumway follow:]

STATEMENT OF SENATOR PATRICK LEAHY
CONFIRMATION HEARINGS
APRIL 11, 1989

We are here to begin work on filling two of the vacant posts within the Department of Agriculture. I know that Senator Lugar as well as several others on the Committee wish that we would have been able to complete this process sooner. We received Mr. Parnell and Dr. Crowder's nominations last Thursday. To date, they are the only two individuals besides Secretary Yeutter who have reached the Senate for the Department of Agriculture.

These two individuals have been nominated to fill very important positions within the Department.

Mr. Parnell has been nominated to take the position of Deputy Secretary of Agriculture - the number two slot in managing the Department.

Dr. Crowder has been nominated for Undersecretary for International Affairs and Commodity Programs - he will oversee the great variety of commodity programs as well as trade and international market development activities.

These are important positions, jobs that will have a great deal to do with the health and future of American agriculture. I have looked very carefully at the background papers on these individuals and will study their testimony as the Committee considers their nominations. I encourage all of my colleagues to do the same.

We have some tough issues to tackle in American agriculture over the next two years: multilateral trade negotiations, rural development, child nutrition reauthorization, and of course the 1990 farm bill. There are many who think that the Committee and the Department only focus on commodity programs. Commodity programs are important, but our work together covers much broader ground.

For Mr. Parnell, you are an individual who will oversee the entire Department. I'd like to share with you my concerns about some specific areas, aside from the commodity programs, in which I hope we can work together.

Rural Development - We must work on improving the rural economy, toward providing jobs and opportunity for all

rural Americans - rural development is an issue that we have ignored for too long.

Nutrition Programs - Child nutrition and our basic feeding programs are important to me. As I said at Secretary Yeutter's confirmation hearing, hunger is a moral issue. No child, no adult, no senior citizen should be hungry or malnourished in this country.

Environmental Issues - I, and the Committee, are deeply concerned over several key environmental issues. Global warming and the impact of agricultural practices on ground water are two of the most important. But other issues such as prevention of soil erosion and wildlife habitat protection are other key examples.

I hope that in your tenure as Deputy Secretary that we can make progress on these issues...as well as dealing with the general commodity programs.

Dr. Crowder, you have been nominated to join the Department at a very challenging time. We will work on developing both a farm bill and negotiating world reductions in trade distorting subsidies over the next two to three years. I intend to write a long term farm bill over the course of the next two years. I would like to see one completed before the August recess in 1990.

There are several key areas that we need to address in that bill. One of the most important is planting flexibility. I've heard a number of ideas on flexibility. But if we are to get our producers back to reasonable crop rotations (which would also allow reduced chemical use) we must develop programs that will give our producers a real choice, not a choice dictated strictly by program economics. But in developing that option we must also keep an eye on farm income.

I'm glad the confirmation process is finally moving forward. I have a great deal of respect for Secretary Yeutter, but nobody - not even Clayton - can operate a Department of that size single-handedly. I look forward to your testimony and your response to our questions.

OPENING STATEMENT
SENATOR THAD COCHRAN

Mr. Chairman, I join you in welcoming Mr. Parnell and Mr. Crowder here this afternoon. I know they are both aware of the importance of agriculture to our nation's economy.

Particular attention must be devoted to the wide array of national and international factors that impact both the individual farmer and the industry as a whole. Farm income support programs, the Crop Insurance Program, Agricultural Research, Marketing Orders, P.L. 480, and the whole host of Export Market Assistance Programs, including the TEA program, the Marketing Loan Program, and the EEP Program have been important to farmers and to the economic health and growth of agriculture. It is my hope that, within your respective fields, you will work to ensure these programs continue to operate efficiently.

I look forward to working with both of you during the 101st Congress.

STATEMENT OF THE HONORABLE NORMAN D. SHUMWAY, of California

April 11, 1989

Mr. Chairman and Members of the Committee, it is an honor and a privilege for me to be able to introduce to you my good friend and constituent, Jack Parnell, of Auburn, California. I recommend him enthusiastically for confirmation as Deputy Secretary of Agriculture.

Jack's commitment to the betterment of American agriculture is well matched by his accomplishments. Since 1987, he has served as Director of the California Department of Food and Agriculture. Prior to that, he served with distinction as Director of the California Department of Fish and Game, from 1984-87. Before his service in Sacramento, Jack was a pedigree livestock auctioneer; he also owned and published California Cattleman's Magazine from 1966-1972, and served as Field Editor for Pacific Stockman and Stockman Weekly, 1964-1966. From his childhood, growing up on his family dairy through his operation and management of several diversifed agricultural operations, Jack has spent a lifetime involved with and committed to agriculture.

Jack Parnell has extensive experience on several fronts. In addition to his numerous contributions to agriculture, he has been a successful businessman and a popular restaurateur. He is universally admired and respected, and he is an ideal candidate to fill the number two position at USDA.

Jack's experience is broad; it is first-hand experience, and it covers the many facets of American agriculture. He will be an outstanding addition to the Administration, and to the farm community. I am pleased to present him to you, and to recommend him without reservation for this important position.

##

The CHAIRMAN. Senator Bond, would either you or Senator Baucus want to speak?

STATEMENT OF HON. CHRISTOPHER S. "KIT" BOND, A U.S. SENATOR FROM MISSOURI

Senator BOND. Mr. Chairman, I, too, am going to have to apologize. I have to go to a rural development meeting.

I just wanted to come by the committee and say that I have had the opportunity to meet with Mr. Parnell and Mr. Crowder. We wish them well, and we are looking forward to working with them. We have outlined a number of major concerns.

This committee is going to be very active in the coming months, and I apologize for not being able to stay for the further discussions; but, based on the conversations I have had with these gentlemen, it would be my pleasure to support them, Mr. Chairman.

The CHAIRMAN. You should not worry about him bailing out on you, Mr. Parnell. It is when the controversial nominees are here that everybody stays, so consider it a good sign. [Laughter.]

Senator Baucus.

STATEMENT OF HON. MAX BAUCUS, A U.S. SENATOR FROM MONTANA

Senator BAUCUS. Thank you, Mr. Chairman.

I have to attend the same hearing that the Senator from Missouri just mentioned.

I have two major concerns: First, is the continued, vigorous utilization of the EEP. As you know, the Export Enhancement Program helped us, just in wheat, get a much increased share of the world wheat market from 1985 to 1988. We were down to about 25 percent in 1985. We went up to 48 percent in 1988.

I know that in the Uruguay round—so far the agreements reached in Geneva do not limit the continued utilization of American EEP. I want to make sure that the administration continues to aggressively use EEP, because I think it would be very helpful.

Second, now with respect to Winter wheat, but also Durum, barley, and Spring wheat. I am concerned that EEP has dropped, particularly for Spring wheat, barley, and Durum. I hope that EEP is utilized, not only for Winter wheat, but for those other crops, as well.

Beyond that, I have no other questions. I am interested in disaster assistance as it applies to cherry orchards, and I will get that to you and hope that you will provide a written response.

Otherwise, I welcome you to your new post and look forward to working with you, in a way that is better for American farmers.

The CHAIRMAN. Thank you.

Mr. Parnell, from your point of view, the most important Senator to be here is Senator Lugar, because he always comes to these meetings with enough proxies in his pocket to win anything he wants. [Laughter.]

Senator Lugar.

STATEMENT OF HON. RICHARD G. LUGAR, A U.S. SENATOR FROM INDIANA

Senator LUGAR. Thank you very much, Mr. Chairman.

I have come ready to settle down for the afternoon with you, and to hear from the nominees.

Let me present a short statement.

I am most pleased to have before us today the nominations of two distinguished Americans who are prepared to serve in high posts at the Department of Agriculture—Jack C. Parnell, nominated to be Deputy Secretary of Agriculture and Richard T. Crowder, nominated to be Under Secretary for International Affairs and Commodity Programs. I would like to extend a warm welcome to both of these nominees.

Next to the post of Secretary, these are two of the most important positions at the Department of Agriculture.

Let me say that I am familiar with the extensive experience that Jack Parnell has had—in his own farming and other business ventures and in service to the California State government—and I believe that he is a very well qualified candidate, indeed. Nevertheless, I am looking forward, as you are, Mr. Chairman, to hearing his opening statement and the answers he gives to the questions that members of the committee will then raise.

The Under Secretary for International Affairs and Commodity Programs is directly responsible for administering our major price and income support programs and for overseeing our export trade efforts. GATT is at a critical stage and we are poised to begin our 1990 farm bill development process with a hearing set for Wednesday, April 19. So, I expect that the members of this committee will be spending a lot of time working closely with Mr. Crowder during the remainder of this session of Congress. His opportunity to have a major impact on the development of farm policy during this period is enormous.

Like Mr. Parnell, Mr. Crowder has impressive credentials to inspire confidence in his ability to meet the challenges of this important position. In addition to holding both master's and doctor's degrees in agricultural economics, he has served as a senior officer for the Pillsbury Company, and as a director on the boards on several Pillsbury subsidiaries since 1975. He also owns and operates a farm.

Before I close, let me direct the attention of the two nominees to a few of the issues that I believe are of critical importance to this committee. I hope that each of the nominees will think about these issues and comment on them for the benefit of the committee members.

During the last week or so there have been some very dramatic developments in the GATT multilateral negotiations. On Saturday, in Geneva, Switzerland, the Technical Negotiating Committee of the GATT adopted framework agreements in several areas, including agriculture. Given the concerns that have been expressed by many people, that the agricultural talks were hopelessly deadlocked, this is truly a very important development.

As I understand it, this framework agreement provides for a short-term freeze of agricultural subsidies and import restrictions

at current levels 1990. For the long term, the agreement commits GATT participants to negotiate substantial progressive reductions in agricultural subsidies and trade barriers. The EC spokesmen are already making much out of the fact that the agreement makes no reference to the idea of eliminating subsidies and trade barriers, which had been a major element of the U.S. negotiating position throughout the talks.

I wonder if the nominees would care to make any comment on these GATT developments, and, in particular, whether or not they think the concept of "substantial progressive reductions" incorporates the notion of eliminating all trade distorting subsidies and import barriers, over time. Also, I am interested in knowing what impact the nominees believe the GATT discussions will have on the performance of their own duties once the confirmation process is completed.

Another issue that is of great significance to the committee is, of course, the budget and what impact it will have on the developing 1990 farm bill debate, and on the ability of the United States to maintain a strong bargaining position in the GATT discussions. In general, I would welcome comment by the nominees on these issues.

The last area I would like to raise is the issue of rural development. I think it is widely known that Chairman Leahy, and the Senate as a whole, has placed a very high priority on evaluating conditions in rural America, and examining ways for Congress and the administration to help ensure that those Americans who live in rural areas will enjoy the opportunity to remain productively employed and to have for a reasonable standard of living.

I would appreciate any comment by the nominees on what they see as the administration's role in this area, and how they see this issue fitting into their own areas of responsibility.

Let me mention that Senator Wilson of California, who, as the chairman has pointed out, had planned to attend this hearing at an early point to introduce Jack Parnell to the committee but because of the rescheduled time, will be late in arriving this afternoon. He has asked me if I would extend congratulations to Mr. Parnell and briefly introduce Jack to the committee on his behalf, which I am pleased to do.

Raised in Fair Oaks, California, Jack Parnell grew up on his father's dairy farm. As a young man, Jack immersed himself in diversified agricultural operations involving everything from tree fruit production to cattle.

During this period he found time to publish the "California Cattleman's Magazine," and to travel throughout the United States as a pedigree livestock auctioneer.

In 1983, in the midst of a successful business career, Jack Parnell was appointed Deputy Director of the California State Department of Food and Agriculture; in 1984, he became Director of the California Department of Fish and Game; and, in 1987, he was appointed Director of the California State Department of Food and Agriculture.

Throughout his career, Jack Parnell has built a reputation for honesty, effectiveness, and management skills, all of which will be required in his position as Deputy Secretary of Agriculture.

For the record, I request that the full text of Senator Wilson's statement be entered into the record. I thank you for recognizing him, Mr. Chairman.

The CHAIRMAN. Without objection, it is so ordered.

[The prepared statement of Senator Wilson and editorial from the Washington Post, Monday, April 10, 1989, follow:]

SENATE COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

HEARING ON CONFIRMATION OF JACK PARNELL

AS DEPUTY SECRETARY OF AGRICULTURE

STATEMENT BY SENATOR PETE WILSON (R-CA)

MR. CHAIRMAN, IT IS A TESTAMENT TO THE EXCEPTIONAL QUALIFICATIONS OF THE NOMINEE THAT SECRETARY YEUTTER SELECTED HIM FROM ALL THE TALENTED CANDIDATES IN THE NATION TO BE DEPUTY SECRETARY OF AGRICULTURE.

RAISED IN FAIR OAKS, CALIFORNIA, JACK GREW-UP ON HIS FATHER'S DAIRY FARM. UPON GRADUATING FROM COLLEGE, JACK IMMERSED HIMSELF IN DIVERSIFIED AGRICULTURAL OPERATIONS INVOLVING EVERYTHING FROM TREE FRUIT PRODUCTION TO CATTLE.

SOMEWHERE ALONG THE LINE, HE FOUND TIME TO PUBLISH THE CALIFORNIA CATTLEMAN'S MAGAZINE AND -- AS A GRADUATE OF WESTERN COLLEGE OF AUCTIONEERING IN BILLINGS, MONTANA -- TO TRAVEL THROUGHOUT THE UNITED STATES AS A PEDIGREE LIVESTOCK AUCTIONEER.

IN 1983, IN THE MIDST OF A SUCCESSFUL BUSINESS CAREER, JACK WAS APPOINTED DEPUTY DIRECTOR OF THE CALIFORNIA STATE DEPARTMENT OF AGRICULTURE BY GOVERNOR DEUKMEJIAN. SUBSEQUENT TO HIS SERVICE IN THAT POSITION, JACK WAS NAMED DIRECTOR OF THE CALIFORNIA DEPARTMENT OF FISH AND GAME AND, IN 1987, AS DIRECTOR OF THE CALIFORNIA STATE DEPARTMENT OF AGRICULTURE.

AS STATE DIRECTOR, HE PRESIDED OVER CALIFORNIA'S $15 BILLION AGRICULTURAL INDUSTRY COVERING 33 MILLION ACRES OF FARMLAND WITH MORE THAN 250 CROPS AND LIVESTOCK COMMODITIES.

WHILE HOLDING THESE IMPORTANT DEPARTMENTAL POSITIONS, HE DISPLAYED THE SAME HIGH LEVEL OF SKILL AND EFFECTIVENESS WHICH WILL BE REQUIRED OF HIM AS DEPUTY SECRETARY OF AGRICULTURE.

I KNOW FOR A FACT THAT THE WORK WHICH HE PURSUED ON BEHALF OF CALIFORNIA AGRICULTURE WAS FIRST-RATE, AND I HAVE NO DOUBT THAT HE WILL SERVE ALL OF AMERICA'S FARMERS WELL UPON BEING CONFIRMED AS DEPUTY SECRETARY.

HE BELIEVES THAT AMERICAN AGRICULTURE MUST PURSUE MARKET-ORIENTED POLICIES THAT WILL ENSURE THE FUTURE VITALITY OF OUR FARM MARKETS.

AT A TIME OUR NATION FACES INCREASING PRESSURE TO REDUCE THE SIZE OF THE FEDERAL BUDGET, THIS COMMITTEE WILL NEED TO CAREFULLY REVIEW OUR FARM PROGRAMS WITH AN EYE TOWARD REDUCING COSTS TO THE TAXPAYER, WHILE AT THE SAME TIME ASSURING THAT THERE IS A FRAMEWORK FOR SUSTAINING THE HEALTH AND VIBRANCY OF AMERICAN AGRICULTURE.

I LOOK FORWARD TO WORKING WITH MY COLLEAGUES ON THIS COMMITTEE IN EXAMINING THE AGRICULTURAL PORTION OF THE BUDGET AND IN DEVELOPING MODIFICATIONS WHERE THEY CAN WISELY BE MADE.

I WOULD COMMEND TO MY COLLEAGUES AN EDITORIAL THAT APPEARED IN THE WASHINGTON POST ON MONDAY, APRIL 10, 1989 CONCERNING THE NEED TO SCRUTINIZE THE COSTS OF THE FARM PROGRAMS AT A TIME WHEN COMMODITY PRICES ARE HIGH AND OUR TOLERANCE FOR FEDERAL DEFICITS IS LOW.

MR. CHAIRMAN, I ASK UNANIMOUS CONSENT TO HAVE A COPY OF THAT EDITORIAL PLACED IN THE HEARING RECORD.

MR. CHAIRMAN, I MOVE THE NOMINATION OF JACK PARNELL TO BE DEPUTY SECRETARY OF AGRICULTURE AND RECOMMEND THAT IT BE FAVORABLY AND PROMPTLY REPORTED TO THE FULL SENATE FOR CONFIRMATION.

(Editorial, "Farm Turnaround," Washington Post, Monday, April 10, 1989, follows:)

WASHINGTON POST: MONDAY, APRIL 10, 1989

Farm Turnaround

THROUGH MOST of the 1980s the main farm problem here and in other exporting countries was too much of a good thing. Production far outstripped demand, so that prices were depressed and government support costs soared. Now the problem threatens to become the reverse. Thanks partly to last summer's drought but also to U.S. and other government policies in recent years, world grain reserves are the lowest since the Soviets basically bought out the U.S. wheat supply (and helped produce double-digit inflation) in the early 1970s. The question is whether producing countries will now adjust their policies accordingly.

The U.N. Food and Agriculture Organization says world grain stocks have fallen to about a sixth of a year's, or 60 days', supply, a critical level. Prices are up accordingly, so that weaker Third World countries will either be further drained of hard currency or unable to feed their populations. Much of the world's reserve is held in this country. The drought has already reduced the crucial wheat reserve to a little less than two-thirds normal, and continues to affect the winter wheat crop, which is now in the fields and normally constitutes half of U.S. production. Even if all else goes well, the reserve is thought likely to fall to less than half of normal later in the year. At that level any faltering in the world feed-grain harvest could be disastrous.

The government normally requires farmers to idle some land as a condition of participating in the support program. To limit production and the government's exposure, this set-aside requirement was greatly increased in the early '80s. Now it has been much reduced, and for the short run some experts would reduce it even further. A wise government would also use this interlude of higher prices as an opportunity to reduce supports. Reduced in recent years to discourage excess production and throw farmers back on the market, supports still remain too high. The time to reduce them further is now, when farmers don't need them as much and won't feel it because market prices are also relatively high. This is also a free year politically—not an election year.

The Bush administration has proposed a cut in support costs to help reduce the deficit but hasn't said how the cut should be achieved. It ought to do so. There are, as it observed encouragingly in its budget, several obvious ways. It should then press the agriculture committees to act. The government needs to keep a floor under agriculture, but no more than a floor. In the long run the generous system now in place does the country more harm than good.

The CHAIRMAN. Senator Kerrey, do you have anything that you want to say before we start?

Senator KERREY. No, Mr. Chairman.

The CHAIRMAN. Senator Gorton.

STATEMENT OF HON. SLADE GORTON, A U.S. SENATOR FROM WASHINGTON

Senator GORTON. Thank you, Mr. Chairman.

I was not able to be here for the early portion of the hearing, but I congratulate both Mr. Parnell and Mr. Crowder, and would say I believe that they have more than appropriate backgrounds to contribute to these important positions, and I want to welcome you into them.

I want to note that Mr. Parnell was at least born in my State, although he was not raised there. He has a very fine background, and I look forward to working with him.

Mr. PARNELL. Thank you.

The CHAIRMAN. Senator Conrad.

Senator CONRAD. I am pleased to be here as well, Mr. Chairman. Also, due to a conflict, I will have to leave soon, so I would be pleased if we could get into the questioning and presentation by the witnesses.

The CHAIRMAN. Thank you, Senator. I think we can do just that.

Mr. Parnell, I understand you are accompanied by your wife, Susan. Could you just mention her, and point her out for us?

Mr. PARNELL. My wife, Susan. The lady in the red dress.

The CHAIRMAN. Mrs. Parnell, we are delighted you are here. That is obviously not a Washington tan, it is more of a California one. I am delighted you are here. I think if I were to be a nominee for something, one of the things I would enjoy the most would be to have either my wife or a member of my family at the hearing with me. I would make sure that it appears on the permanent hearing record so that some day, long after we are all gone, some historian will go back and find it, and will know that both of us were here.

With that, Mr. Parnell, I will turn it over to you, sir.

TESTIMONY OF JACK C. PARNELL, DEPUTY SECRETARY-DESIGNATE OF AGRICULTURE

Mr. PARNELL. Thank you very much.

Mr. Chairman and members of the committee, I am honored to appear before this committee today as President Bush's nominee to be Deputy Secretary of Agriculture, and I am very pleased to be here.

As Director of the Department of Food and Agriculture in California, I have observed for many years the actions of this committee, and the leadership that it has shown during very challenging times. You should be complimented, by-in-large. Much progress has been made. Economic stability has returned to the American farmer—drought notwithstanding. But much remains to be done. I believe that agriculture has an awful lot on its plate, and we need to be about aggressively pursuing that agenda.

The issues of food safety, groundwater protection, continuation of the multilateral round of GATT negotiations, and continued ag-

gressive bilateral negotiations, will all become very important as we move toward constructing farm legislation for the 1990's, and all of this in the environment of a major budgetary crunch.

We will all need to reaffirm our commitment to intense effort, clear insight, and a driving, unswerving will to meet the challenges that lie ahead.

I sincerely believe that agriculture is the economic backbone of this country and the many hard decisions that will be called upon to make may, in fact, have a profound effect on those who follow us. Agriculture is that dependable, renewable resource that continues to create brand new, real value, and that at one point has been much taken for granted.

Agriculture, by-in-large, takes nothing, and makes something out of it and continues to do that year after year and after each growing cycle, we have left all that we started with. Agriculture is truly one of the United States' greatest success stories, in my opinion, and I like to call it, frequently, the greatest story seldom told.

Agriculture is now undergoing—and will continue to undergo—significant change. Biotechnology, integrated pest management, and biological controls may, in fact, offer us many options for the future. We must make sure that we offer educational opportunities so that we can develop the management skills necessary to use these new technologies effectively.

Even more than in the past, human skills—creativity and knowledge—will be fundamental to building and sustaining U.S. agriculture's competitive edge.

The question is: How can we stimulate demand equal to the great bounty of our farms, so that we don't find ourselves in the position where our greatest success, efficiency, becomes our enemy, and our greatest burden becomes the efficiency that we have obtained? We as a nation must be geared to respond quickly to changing and shifting circumstances, and to be proactive, not reactive, taking advantage of change, and not being threatened by it.

If confirmed, and given the opportunity to serve with Secretary Yeutter, I would hope to contribute to his leadership style that takes the strengths of agriculture and builds on them, with the foresight to weigh the needs of the future as heavily as we do the problems of today.

I thank you, Mr. Chairman, for allowing me to appear before your committee. I look forward to our working together to accomplish the many tasks that we face in the agriculture sector. I will be glad to do my best to answer any questions that you might have.

The CHAIRMAN. Thank you very much.

Would you please stand and I will swear you in before we start the questions?

Do you solemnly swear that the testimony that you shall give to this hearing shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. PARNELL. I do.

The CHAIRMAN. I have also to be placed in the record the statement by Congressman Norman Shumway, of California.

[The prepared statement of Mr. Shumway can be found on pages 6 and 7.]

The CHAIRMAN. Let me just read the first two sentences. "It is an honor and a privilege for me to be able to introduce to you my good friend and constituent, Jack Parnell, of Auburn, California. I recommend him enthusiastically for confirmation as Deputy Secretary of Agriculture."

Without reading the rest of the statement, it appears to be favorable to you, and that will be made part of the record.

Senator BOSCHWITZ. Mr. Chairman, I have to go to the Small Business Committee where I——

The CHAIRMAN. If you like small business better than agriculture, that is quite all right. [Laughter.]

Senator BOSCHWITZ. The two are related, Mr. Chairman.

The CHAIRMAN. Having said that, Mr. Parnell, I must say that Senator Boschwitz is one of the most energetic and faithful members of this committee. I do not want to——

Senator BOSCHWITZ. Oh, no, but I am a big shot on the other committee. [Laughter.]

The CHAIRMAN. That is because he is one of the biggest moneymakers of the whole Midwest, with the plywood business.

Senator BOSCHWITZ. It is terrible to take this abuse, Mr. Chairman, but if I may——

The CHAIRMAN. You bear up well under it.

Senator BOSCHWITZ. I do. I would like to say a word about the Under Secretary, who is also here for confirmation, then I have to go up, and we are holding a confirmation hearing for the Director of the Small Business Administration.

The CHAIRMAN. Rudy, just before you came in I mentioned that we had to reschedule this hearing to accommodate the administration on the Contra hearing tomorrow, and, as a result, a number of Members on both sides of the aisle, who had their schedules cleared to be at the confirmation hearing tomorrow, were unable to reschedule.

STATEMENT OF HON. RUDY BOSCHWITZ, A U.S. SENATOR FROM MINNESOTA

Senator BOSCHWITZ. I just would like to say a word, Mr. Chairman, about Dr. Crowder. I see him in the audience with his son. He has been nominated for the position of Under Secretary of Agriculture for International Affairs and Commodity Programs.

He has been a resident of Minnesota and with the Pillsbury Corporation for the past 14 years. As a matter of fact, he is a neighbor of mine—he must live within a mile or a mile and a half of where I live—and, though he is a native Virginian, he has a B.S. and M.S. in agricultural economics from the Virginia Polytechnic Institute, and then he went out to Oklahoma, where he got his Ph.D. in agricultural economics.

The Pillsbury Company's whole commodity operation was restored by Mr. Crowder. We were just very pleased when he accepted this nomination. There is no one I can think of who could better serve in that position.

He is a very distinguished Minnesotan, and I think that we are going to have some good years together with him, and, if I may, out of order, just introduce him. I appreciate it very much.

The CHAIRMAN. Thank you very much, Senator. I realize that you had your schedule cleared to be here with Dr. Crowder, and, as I mentioned before, there was the sudden last minute change to accommodate the Contra hearing.

We do appreciate your taking this time to be here; I know you are supposed to be at the Small Business Committee meeting.

Also, again as I mentioned at the opening of the hearing, as a result of the schedules being shifted, Senator Wilson of California was going to be here to introduce you tomorrow, had to rearrange his schedule to fit today, but he was called down to the meeting at the White House. Naturally, Senator Wilson is a valuable member of this committee. He has just arrived. I will yield to him for an introduction.

STATEMENT OF HON. PETE WILSON, A U.S. SENATOR FROM CALIFORNIA

Senator WILSON. Thank you very much, Mr. Chairman.

I appreciate your kindness. I will not detain the committee long because, frankly, no amount of words could adequately express the thorough confidence, complete confidence, I have in Jack Parnell.

He is a man who earned that confidence, not only mine but that of the Governor of California, and that of a number agricultural interests, and he has served in a very distinguished tenure as the Director of Food and Agriculture for the State of California.

He has been a farmer all of his life, though he has combined with that the skills and occupation of journalist, having found time to publish the "California Cattleman's Magazine," and also he is a licensed auctioneer of pedigree stock.

So he is a man of parts, and he has been, in addition to a businessman, enjoying a very successful career there, serving his State, first as Deputy to the Director of the Food and Agriculture Department in Sacramento, and then he became the Director of the Fish and Game Department, and then in 1987, became the Director of the State Department of Agriculture.

Let me just tell you a brief amount of about what that entails.

As the State Director, he presided over the State's $15 billion agricultural industry, which covers literally 32 million acres of farmland with more than 250 crops and livestock commodities, and he has been diligent, he has been effective, he has been fair in moderating differences between this very diverse group of agriculturalists, and he is someone who is, I think, dedicated to doing all possible to restore American agriculture to market economics, and I think that he has demonstrated not only dedication but great skill, and, in short, he is the kind of man who, I think, would, if you had been privileged to know him, summon to mind, in your minds, the ideal of the kind of person who would be necessary to assist Secretary Yeutter in discharging very great responsibilities the Department will have in a time when we are seeking to cure a trade deficit, and in which agriculture has supplied the one bright spot, by supplying us with a surplus.

I think California has taken part in that, and Mr. Parnell has been a part of that, from the State level. I think he is admirably

equipped, both by character and competence, to be an outstanding Deputy to Secretary Yeutter.

So it is with great pleasure that I prepare to, at the appropriate moment, move his confirmation.

The CHAIRMAN. Thank you very much.

Senator Helms just came in, and is going to have to leave, but he has one question, so before we get in line, I yield to the distinguished Senator from North Carolina.

Senator HELMS. Mr. Chairman, as always, you are very helpful, and I appreciate it very much.

I would like to say for the record that I favor both Mr. Parnell very strongly, and Mr. Crowder.

I am just wondering how many date growers you have in California? I think I have talked to half of California about dates.

Mr. PARNELL. We have a number, Senator.

Senator HELMS. The kind you eat, Mr. Chairman.

The CHAIRMAN. Senator Helms, with you I would never have suggested anything but that. [Laughter.]

Senator HELMS. Well, I thought—Senator Wilson, do you want to ask him about this problem?

Senator WILSON. Go right ahead, Senator.

Senator HELMS. I believe there have been three Food for Progress agreements so far, is that right?

Mr. PARNELL. That is correct.

Senator HELMS. One of the problems, yet, seems to be a shortage of commodities in CCC stocks.

Now, as I understand it from the people in California whom I know, and who are loyal constituents of the distinguished Senator from California, there is a surplus of dates—the edible kind—in California. [Laughter.]

You have to be careful these days, what you talk about.

Could not a commodity like dates, which are eligible under the PL-480 program, be used in the Food for Progress Program?

Mr. PARNELL. Well, I assume, Senator, that they could. I have not really looked at that issue, but I would be happy to delve into it at some depth and get back to you.

Senator HELMS. I would appreciate a note.

Mr. PARNELL. A written response.[1]

Senator HELMS. Because of all those folks who have written to me and the others. I just ran into about 8 or 10 last night.

I thank you very much, and I wish you well.

And thank you, Mr. Chairman, for your help.

Mr. PARNELL. Thank you very much.

The CHAIRMAN. Thank you very much.

Mr. Parnell, there are two basic questions we always ask the nominee: If you are confirmed by the Senate, will you faithfully execute the laws passed by Congress, regardless of any prior statements you have made, or biases you may have held?

Mr. PARNELL. Yes, I will.

The CHAIRMAN. And if your nomination is approved by the committee and the Senate, do you promise to respond to requests to

[1] See question from Senator Helms, No. 41, page 104.

appear and testify before this committee, or any other duly constituted committee of the Senate?

Mr. PARNELL. I will.

RURAL DEVELOPMENT

The CHAIRMAN. Senator Lugar mentioned rural development earlier, and this has been a matter of great concern for many of us. Senator Conrad recommended that we have a special task force on rural development, and we now have one in the Senate. Each one of us has expressed concern.

I am committed to try to get a major package of rural development legislation through this committee, as are a number of other committees.

Now, your position, for which you have been nominated, is one that could bring about a great deal of leadership, if you are willing to. Secretary Yeutter is going to work with us, he has agreed to coordinate the rural development effort, to help diversify the role of America's economic base. I would be glad to hear him also, at some point, say that he will direct the REA, the Farmers Home Administration, the Forest Service, the ASCS, the Extension Service, and the Soil Conservation Service, to offer us professional services to develop specific plans on how to better diversify rural America's economic base.

Now, I realize that you are not in a position to lay out a rural development plan for us today, but I would ask your commitment to work with us in a versatile fashion, with members of both parties of this committee, in developing some rural development legislation.

Mr. PARNELL. Well, I certainly commit that to you, Senator. It seems to me that a role that the Department could play, as a practical matter, is to act as a coordinator, much as you have suggested, to pull the pieces together and to point people in ways after local initiative has been demonstrated, and really do something of substance.

So I certainly would commit full cooperation.

GROUNDWATER

The CHAIRMAN. About 90 percent of rural America is depending on groundwater for their basic water supply. I know I do in my own home in Vermont.

Last year the Congress concluded a major reform with FIFRA legislation. Senator Lugar and I were able to get a package which, in the waning day of the Congress, got approved. But groundwater had us stymied. We had one of these either/or situations. Either we continued to push both FIFRA and groundwater and get neither, or get FIFRA through and come back to groundwater this year.

The Agriculture and Environment Committees were split on what's the best idea. Part of it is because we did not have, with all the other projects going on last year, the kind of leadership I would like to see from the Department on the groundwater issue.

President Bush has spoken of his zero tolerance policy for groundwater. How would the Department of Agriculture fulfill that?

Mr. PARNELL. Well, I think one needs to look at the record—my record in California—to determine what kind of a commitment we would have in the area of groundwater. I certainly have been trying to implement and support a groundwater proposal. We supported through the California Legislature, AB 2010, the Groundwater Protection Act. This act supported, No. 1, an aggressive sampling program and No. 2 an evaluation of pesticides to determine whether or not they have the propensity to migrate through soils, after which we would continue to do whatever was necessary of substance to get the groundwater problem handled, and we are doing that today.

I certainly haven't had an opportunity to talk to Secretary Yeutter about the zero tolerance proposal, and I would certainly be happy to respond to you, Mr. Chairman, in writing, on that issue.[2]

The CHAIRMAN. Well, I will want to talk to you further. As long as I know you have had experience in California, obviously a State with a large population dependent on groundwater, and also, as you stated, you have had to be concerned about the contamination of groundwater, you are familiar with the right steps that need to be taken, and we will see how we can work together on it.

THE WIC PROGRAM

In his campaign, President Bush promised that he would see that there is sufficient funding for WIC—Women, Infants, and Children Program. I would assume that you would agree that WIC is an extremely cost effective program, as it includes the health of infants and children.

Mr. PARNELL. Well, it certainly seems to have been. We have been in Washington now about a week and a half, and I have tried to fill my gray matter with all of the things that I am supposed to know, and certainly all the ones I will become familiar with.

But my impression is that the WIC Program has worked thus far, and we certainly have heard nothing other than positives.

The CHAIRMAN. Well, when you are filling that gray matter, read from, "The American Agenda," by former President Ford and Ambassador Carla Hills, who say, and I quote: "WIC is one of the best investments the country can make of its own people." And Ambassador Hills says, "Expanding WIC should be a top domestic priority."

The problem we have is that many pregnant women are still turned away, or placed on a waiting list. Only 50 percent of those eligible for WIC are being served, and, in fact, we are told that it costs $1 billion, or $2 billion more to get them out.

I give, of course, great credibility to those who will support what they consider the Right to Life agenda, but it is more than just making speeches to rallies; in fulfilling that, people must really be concerned about infants and pregnant women, and it has to be more than just giving speeches and spending money.

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[2] See question from Senator Leahy, No. 58, on page 119.

I think one of the marks of just how committed somebody is to a sense of right to life is the willingness to work very hard to support WIC, and I would ask you take a look, very specifically, at that.

Everybody who has testified on WIC has said only good things about it. Pediatricians, and nutritionists, and those who receive it and those who have been involved in it—Governors, other Members of Congress, and so on.

My last question—I have a number of questions for the record, but my time is used up.

FEDERAL MILK MARKETING ORDER PROGRAM

I happen to know that California keeps outside the Federal milk marketing order program, but it uses the Federal price support program. Somebody said the California order promotes capital investment in dairy processing plants. Another said that the California order, with its quotas on Class I fluid milk, is almost a two-tier pricing program of milk.

So, in light of California's special pricing program, which is in essence a regional program, what are your views of regional dairy legislation for the rest of the country?

Mr. PARNELL. Chairman Leahy, what I would like to do, in the interest of your time, I will respond to that in writing, if I may.

Regional issues have been discussed at length, and certainly California has had its own view, and I would be happy to discuss those views with you, whenever that is appropriate.[3]

The CHAIRMAN. I have one other question, and it is on the cash in lieu of commodities. Chairman de la Garza has requested that I ask about the CLOC program, and if I have a chance in another go around I will have a question on behalf of Chairman de la Garza which is of interest to him and to me, that I would want you to look at.

Senator Lugar.

Senator LUGAR. Thank you very much, Mr. Chairman.

I would like to pursue your understanding of the GATT situation in the last week, and your interpretation of what "substantial progressive reductions" means? [4]

Mr. PARNELL. Well, substantially, I have read only the accounts that probably most of you have read in the newspaper, and tried to brief myself. I will have an indepth conversation about that.

It appears, obviously, that they have negotiated an agreement whereby subsidies will be frozen. I think the issue of reforms and how it will take shape is something that will be a matter of negotiation, and I am not able to define for you at this point exactly how that will take form, but certainly it will be the subject of much negotiation.

I think that the Department of Agriculture, and certainly Secretary Yeutter, remains committed to the idea of gradual, methodical reduction of trade distorting subsidies.

Senator LUGAR. By the term "frozen," does this mean that ceilings have been imposed on subsidies as they are now found, but

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[3] See question from Senator Leahy, No. 1 page 76.
[4] See question from Senator Lugar, No. 55a, page 116.

that it is also a floor? In other words, what is the effect upon our agricultural policy, or the mechanism we have adopted for calendar years 1989, 1990 and 1991?

Mr. PARNELL. Well, again I have only read the newspaper accounts, and we just simply haven't had the opportunity in the week that I have been here to sit down, and, of course, that just occurred a few days ago, and we just haven't had an opportunity to sit down for a session.

So, if I may, I would like to respond to you in writing.[5]

Senator LUGAR. That would be very helpful. It would benefit all of us, as we introduce our farm bill, to have some idea of the agreements that are being proposed by our Government. I would say that we have discussed this with Secretary Yeutter and Carla Hills, and they indicated we may not have the luxury of being able to solve both at the same time, but the Chairman raised the question at our meeting with them, as to whether we might have the sequence such that we do our farm bill after we have the agreements done, and the odds are that that might not work out.

The timetable may be that two successive legislative efforts will be required.

Let me ask, as you have taken a look at your responsibilities that will be coming, and likewise noted the budget discussions that are going on. The administration and the bipartisan group of Congressmen have the framework now of the proposed spending, revenues, defense, and what have you—all that they are pushing toward—what do you contemplate will have to be done in Agriculture's budget during this year? Do you have any idea of the nature of recommendations you will bringing from the administration to this committee?

Mr. PARNELL. They are just not familiar to me now, Senator, but they will be soon. I understand that a big piece of my responsibility will be oversight of the budget, with which I have had considerable experience at the State level, and I look forward to that activity. It is simply that I am just not familiar with it at this point.

Senator LUGAR. Thank you very much.

The CHAIRMAN. Thank you very much.

Senator Conrad.

Senator CONRAD. Thank you, Mr. Chairman.

I would like to return to the question of rural development for a moment, and make note of the fact that we have developed a proposal called an agricultural research commercialization corporation.

The concept for this proposal resulted from extensive research by a USDA task force that suggested one of the great opportunities to be pursued in agriculture is the commercialization of much of the basic research we have already done in nonfood, nonfeed uses of agricultural commodities.

The USDA task force came back with very, very aggressive program suggestions. In fact, it proposed a program costing over $1 billion. Obviously, that can't be done, in light of the current budget

[5] See question from Senator Lugar, No. 55b, page 116.

limitations, but on a bipartisan basis we have reintroduced the bill this year.

We call it a commercialization corporation. The idea is to form public/private partnerships. This program has garnered very strong bipartisan support on this committee—Senator Bond, Senator Boschwitz, Senator Harkin, myself, and others.

I would hope that you would take a look at that proposal. USDA resisted it last year, for various reasons. We have tried to overcome those objections, we have put the commercialization in USDA, and I would just hope that you would take a hard look at that, and not reject it out of hand.

The National Governors' Association has made it a central part of their proposal, and I hope that you take a look.

We had a chance to visit the other day, both Mr. Crowder and yourself, and some of my staff, and we very much appreciated that opportunity, but one of the issues I raised with you then, and I would like to raise again now is, how do we determine when we use EEP?

The Export Enhancement Program has virtually been shut down on barley, Durum and Spring wheat, and it has been shut down even when we have a higher stocks to use ratio than we have for some of the commodities that EEP is being utilized for.[6]

That is very hard for our producers to understand, and perhaps you have had a chance to look into that, and comment; if not, I would certainly be open to a discussion at a later time.

Mr. PARNELL. I would be happy to discuss it in writing with you, if I could. It has to do with domestic use relationships, and I just haven't had the opportunity to sit down and look in depth at the issue, but I would be more than happy to respond.

Senator CONRAD. Let me make one other suggestion to you, in terms of something that we would very much appreciate your taking a look at, and that is the calculation of the national average price for barley, for deficiency payment purposes.[7]

Our barley growers feel very strongly that when they calculated the national average price they combined malting barley and feed barley, and obviously, malting barley is not feed, and when you include the malting barley with the feed barley there are perhaps unintended consequences.

Would you be willing to take a hard look at that, to get us a reaction on it?

Mr. PARNELL. I certainly will.

Senator CONRAD. I would like to make one other point. I know there are other Senators here, and we have another witness, Mr. Chairman, but if I just might, I would like to ask a question on GATT.

Many of my producers have asked me, do we have a conservation reserve in this country? We are, in essence, providing not only a grain reserve but a land reserve, because we are getting hit on both ends of the equation.

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[6] See question from Senator Conrad, No. 56, page 117

[7] See question from Senator Conrad, No. 57, page 118.

Some have said to me—in fact, some of the Europeans have said to me, if the United States pressed us very hard on our developing a conservation reserve, we would be hard pressed to resist that.

Is there any interest or willingness on your part or in the administration, as far as you know, to push the Europeans on the question of establishing such a reserve? They have the rudiments of a program, but a substantial commitment by the EC to conservation reserve is needed.

Mr. PARNELL. Well, I certainly am aware that the Conservation Reserve Program in this country has worked, and continues to work. I can't answer as to whether or not there has been any thought given to really pressing the EC or whether or not that issue has been discussed. I am just not aware.

Senator CONRAD. If I could just share with you some feedback I have received in extensive meetings with Europeans. They have told me, "Look, if you would press us on this matter, we would be hard pressed to resist. We would be hard pressed to resist because there is a strong environmental movement, and because of the oversupply that we are creating."

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Wilson, did you have any hard-hitting questions that are going to help you make up your mind on how you might vote on this nomination?

Senator WILSON. I did have a few, Mr Chairman, but I have decided that I won't ask them.

The CHAIRMAN. Well, let me just finish with this one last question, then.

The Commodity Distribution Program has served two important functions at the same time, to provide products for the School Lunch Program, and to relieve the surplus situations for specific products in various parts of the country. In California, alone, both last year and this year, over $110 million worth of commodities were purchased for the School Lunch Program.

Now, some are pushing the cash in lieu of commodities program, the CLOC program.

Now, I would think that the move to CLOC would devastate our surplus removal program. How do you feel about that?

Mr. PARNELL. Well, my preliminary look at that leads me to believe that, obviously, surplus commodities donated to the School Lunch Program have provided not only for a good School Lunch Program, but have provided us an opportunity to balance stocks and supplies. Certainly, if I had to make a choice this moment without discussion with the Secretary, I would opt to tell you that I firmly support a continued commodity surplus removal program and I am opposed to cash in lieu of commodities.

The CHAIRMAN. I don't want to put you into any conflict with the Secretary. The reason I asked the question is we were over in the House Budget Committee the other week, and Congressman de la Garza asked me: Is Secretary Yeutter suggesting any testing of the CLOC projects on a statewide basis? I realize that the Secretary has to speak to the Department, but please discuss that with him.

I will also be discussing it with him. Distribution in my State has worked well, and I want to provide what is necessary to people within this program, but also take care of those surpluses.

For now, I wish you the best. I think what you have been hearing from the various committee members here, and they will give you reason to at least continue house hunting, if that is what you are doing here. [Laughter.]

We are delighted also, Mrs. Parnell, to have you here, too.

Mr. PARNELL. Thank you, Senator, for the opportunity to come before you.

[The prepared statement, memorandum, and letter pertaining to cash lease of Mr. Parnell follow:]

STATEMENT BY JACK C. PARNELL

DEPUTY SECRETARY-DESIGNATE OF AGRICULTURE

Before the Senate Committee on Agriculture, Nutrition and Forestry

April 11, 1989

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE: I AM HONORED TO APPEAR BEFORE THIS COMMITTEE TODAY AS PRESIDENT BUSH'S NOMINEE TO BE DEPUTY SECRETARY OF AGRICULTURE.

AS DIRECTOR OF AGRICULTURE FOR THE STATE OF CALIFORNIA, I HAVE OBSERVED THE ACTIONS OF THIS COMMITTEE AND THE LEADERSHIP THAT IT HAS SHOWN DURING VERY CHALLENGING TIMES. YOU SHOULD BE COMPLIMENTED, BY-IN-LARGE. MUCH PROGRESS HAS BEEN MADE. ECONOMIC STABILITY HAS RETURNED TO THE AMERICAN FARMER -- DROUGHT NOTWITHSTANDING. BUT MUCH REMAINS TO BE DONE. AGRICULTURE HAS A LOT ON ITS PLATE.

THE ISSUES OF FOOD SAFETY, GROUND WATER PROTECTION, CONTINUATION OF THE MULTILATERAL ROUND OF GATT NEGOTIATIONS, AND CONTINUED AGGRESSIVE BILATERAL NEGOTIATIONS, WILL ALL BECOME VERY IMPORTANT AS WE MOVE TOWARD CONSTRUCTING FARM LEGISLATION FOR THE 90's AND ALL OF THIS IN THE ENVIRONMENT OF A MAJOR BUDGETARY CRUNCH.

WE WILL ALL NEED TO REAFFIRM OUR COMMITMENT TO <u>INTENSE EFFORT</u>, <u>CLEAR INSIGHT</u>, AND A DRIVING, UNSWERVING WILL TO MEET THE CHALLENGES THAT LIE AHEAD.

I SINCERELY BELIEVE THAT AGRICULTURE IS THE ECONOMIC BACKBONE OF THIS COUNTRY AND THE MANY HARD DECISIONS THAT WILL BE MADE COULD HAVE A PROFOUND EFFECT ON THOSE WHO FOLLOW US. AGRICULTURE IS THAT DEPENDABLE, RENEWABLE RESOURCE THAT CONTINUES TO CREATE REAL NEW VALUE THAT MANY HAVE TAKEN FOR GRANTED.

AGRICULTURE BY-IN-LARGE TAKES NOTHING, AND MAKES SOMETHING OUT OF IT AND CONTINUES TO DO THAT YEAR AFTER YEAR AND AFTER EACH GROWING CYCLE, WE HAVE LEFT ALL THAT WE STARTED WITH. AGRICULTURE IS TRULY ONE OF THE UNITED STATES' GREATEST SUCCESS STORIES. I LIKE TO CALL IT THE GREATEST STORY SELDOM TOLD.

AGRICULTURE IS NOW UNDERGOING -- AND WILL CONTINUE TO UNDERGO -- SIGNIFICANT CHANGE. BIOTECHNOLOGY, INTEGRATED PEST, AND BIOLOGICAL CONTROLS WILL OFFER US MANY OPTIONS. WE MUST MAKE SURE THAT WE OFFER EDUCATIONAL OPPORTUNITIES SO THAT WE CAN DEVELOP THE MANAGEMENT SKILLS NECESSARY TO USE THESE NEW TECHNOLOGIES EFFECTIVELY.

EVEN MORE THAN IN THE PAST HUMAN SKILLS -- CREATIVITY AND KNOWLEDGE -- WILL BE FUNDAMENTAL TO BUILDING AND SUSTAINING U.S. AGRICULTURE'S COMPETITIVE EDGE.

THE QUESTION IS: HOW CAN WE STIMULATE DEMAND EQUAL TO THE GREAT BOUNTY OF OUR FARMS SO THAT WE DON'T FIND OURSELVES IN THE POSITION WHERE "EFFICIENCY BECOMES OUR ENEMY AND OUR GREATEST SUCCESS BECOMES OUR GREATEST BURDEN". WE AS A NATION MUST BE GEARED TO RESPOND QUICKLY TO CHANGING AND SHIFTING CIRCUMSTANCES AND TO BE PRO-ACTIVE, NOT RE-ACTIVE.

WE SHOULD TAKE ADVANTAGE OF CHANGE, NOT BE THREATENED BY IT.

IF CONFIRMED, AND GIVEN THE OPPORTUNITY TO SERVE WITH SECRETARY YEUTTER, I WOULD HOPE TO CONTRIBUTE TO HIS LEADERSHIP STYLE THAT TAKES THE STRENGTHS OF AGRICULTURE AND BUILD ON THEM WITH THE FORESIGHT TO WEIGH THE NEEDS OF THE FUTURE AS HEAVILY AS WE DO THE PROBLEMS OF TODAY.

THANK YOU, MR. CHAIRMAN FOR ALLOWING ME TO APPEAR BEFORE YOUR COMMITTEE. I LOOK FORWARD TO OUR WORKING TOGETHER TO ACCOMPLISH THE MANY TASKS THAT FACE THOSE IN THE AGRICULTURAL SECTOR. I WILL BE HAPPY NOW TO ANSWER ANY QUESTIONS YOU HAVE.

MEMORANDUM

DATE: APRIL 7, 1989

TO: Senate Committee on Agriculture
Nutrition and Forestry

FROM: Jack C. Parnell
Deputy Secretary of Agriculture-Designate

RE: Questionnaire for U.S. Department of
Agriculture Nominees

The following are answers to your questions concerning my nomination as Deputy Secretary of Agriculture:

BIOGRAPHICAL INFORMATION (PUBLIC)

1. QUESTION: Full name (include any former names used).

ANSWER: Jack Callihan Parnell

2. QUESTION: Address: List current place of residence and office address(es). List all office and home telephone numbers where you may be reached.

ANSWER: Office:

Department of Food and Agriculture
State of California
1220 N Street
Sacramento, California 95814
916-445-7126

3. QUESTION: Date and place of birth.

ANSWER: May 7, 1935; Levenworth, Washington

4. QUESTION: Marital Status (include maiden name of wife or husband's name). List spouse's occupation, employer's name and business address(es).

ANSWER: Married to Susan Carol (Musso) Parnell; homemaker.

5. QUESTION: Education: List each college and graduate or professional school you have attended, including dates of attendance, degrees received, and dates degrees were granted.

ANSWER: Graduate of Western College of Auctioneering, Billings, Montana, 1968
Sacramento City College - Life Underwriter Training Course, 1959
Healds Business College, San Francisco, CA - High School Diploma and Various College Courses

6. QUESTION: Employment Record: List (by year) all business or professional corporations, companies, firms, or other enterprises, partnerships, institutions and organizations, nonprofit or otherwise, including farms, with which you were connected as an officer, director, partner, proprietor, or employee since graduation from college; include a title and brief job description.

ANSWER:

1954-1966: Started, developed and ran Sacramento's largest independent building maintenance company (Regal Building Maintenance Co.), while attending college.

1956 - Present: Formed Dunipace Angus Ranch, now Parnell Ranch (registered Angus Cattle). Also peach, pear, persimmon, cherry, tree fruit production; pumpkin, squash and Christmas tree production.

1960-1965: Managed and operated diversified agricultural operations, Elbo Angus Ranch, Elk Grove, California.

1964-1966: Field Editor for Pacific Stockman and Stockman Weekly.

1966-1972: Owner and Publisher of the California Cattlemen's Magazine.

1966-1983: Pedigree Livestock Auctioneer. Traveled extensively throughout the United States and Canada until 1983 when I joined the Deukmejian Administration.

1975-Present: Built and operate Headquarter House Restaurant, Auburn, California.

1976-Present: Built and operate Headquarter House Country Meat Shop, Auburn, California.

1977-Present: Built and operate Angus Hills Golf Course, Auburn, California.

1982: Founder and Chairman of the Board "The Bank of Commerce".

1983-1984: Deputy Director, California Department of Food and Agriculture. Appointed by Governor Deukmejian.

1984-1987: Director, California Department of Fish and Game. Appointed by Governor Deukmejian.

1987-Present: Director, California Department of Food and Agriculture. Appointed by Governor Deukmejian.

7. QUESTION: Military Service: Have you had any military service? If so, give particulars, including the dates, branch of service, rank or rate, serial number and type of discharge received.

ANSWER: None.

8. QUESTION: Government Service: State (chronologically) your government service or public offices you have held, including the terms of service grade levels and whether such positions were elected or appointed.

ANSWER:

1983-1984: Deputy Director, California Department of Food and Agriculture (appointed)

1984-1987: Director, California Department of Fish and Game (appointed)

1987-Present: Director, California Department of Food and Agriculture (appointed)

9. QUESTION: Honors and Awards: List any scholarships, fellowships, honorary degrees, and honorary society memberships that you received and believe would be of interest to the Committee.

ANSWER: Recipient: Resolutions from both Senate and Assembly for Outstanding Service to State of California - 1989

Recipient of Auburn Salutes Man of the Year - January 1988, for many years of personal commitment to the Auburn Community, Placer County and the State of California.

Designated Commodore Port of Sacramento - Meritorious Support - 1988.

Recognition for Exemplary Service in the Campaign Against Marijuana Planting - 1985, Presented by the Chief of the Bureau of Narcotics Enforcement, Charles Casey and Attorney General John Van de Kamp.

Recipient of Degree of Honorary Chapter Farmer, Nevada Union Future Farmers of America - May 1974 and May 1981.

Recipient of Friend of Auburn Faith Hospital Association Award - 1981.

Recognition of Outstanding Support - Future Farmers of America - Vocational Agriculture and Youth of Community.

Recipient of Friends of 4H (4H Salute) - Development of responsible youth.

Recognition of Contribution to the World Angus Forum - October 1973, Kansas City, Missouri.

Recipient of Appreciation Award for Service to the California Angus Association - 1972.

Recipient of Dedicated Service Award as a Board Member of the American Angus Association - 1972-75.

Recipient of numerous awards for service to County Fairs, the State Fair and the Grand National Livestock Exposition for auctioneering services.

10. QUESTION: Other Memberships: List all organizations to which you belong, excluding religious organizations.

ANSWER: Elected to the National Board of American Angus Association
Elected to the Board of Directors of the California Production Credit Association
Past President, the 20th District Agricultural Association. (Appointed by Governor Reagan.)
Past President, California Angus Association
Past President, California Auctioneers Association
Board Member, Western States Angus Association
Member, Pacific Fisheries Management Council. (Appointed by Governor Deukmejian.)
Member, Advisory Board on Air Quality and Fuels. (Appointed by Governor Deukmejian.)
Member, California Farm Bureau Association
Member, California Cattlemen's Association
Member, Tahoe Cattlemen's Association
Member, American Angus Association
Member, California Angus Association
Member, Clydesdale Association

11. QUESTION: Published Writings: List the titles, publishers, and dates of books, articles, reports, or other published materials (including published speeches) you have written. Please include on this list published materials on which you are listed as the principal editor. It would be helpful to the Committee if you could provide one copy of all published

material that may not be readily available. Also, to the maximum extent practicable, please supply a copy of all unpublished speeches you made during the past five years on issues involving agriculture, nutrition, forestry or commodity futures policy or related matters.

ANSWER: Copies of published materials are unavailable at this time. Material is currently being compiled and will be forwarded. Attached are copies of unpublished speeches on issues involving agriculture, nutrition, forestry or commodity futures policy or related matters.

12. QUESTION: Health: What is the present state of your health?

ANSWER: Very good.

FINANCIAL DATA AND CONFLICT OF INTEREST (PUBLIC)

1. QUESTION: Have you severed all connections with your immediate past private sector employers, business firms, associations, and/or organizations?

   ANSWER: Yes, except the State of California for which I have a resignation letter in place which will become effective upon my confirmation.

2. QUESTION: List sources, amounts and dates of all anticipated receipts from deferred income arrangements, stock options, incompleted contracts and other future benefits which you expect to derive from previous business relationships, professional services, firm memberships, former employers, clients, or customers.

   ANSWER: Will be receiving retirement benefits from the State of California's Employees Retirement Fund: $600/month. Effective May 1989.

3. QUESTION: Do you, or does any partnership or closely held corporation in which you have an interest, own or operate a farm or ranch? (If yes, please give a brief description including location, size and type of operation.)

   ANSWER: Yes, I am co-owner of the Parnell Ranch (Dunipace Angus Ranch), managed by my son, Randy Parnell. Of the 160 acres owned and 1600 acres leased, we run a cattle operation and produce pears, persimmons, cherries, apples, Christmas trees, pumpkins, and squash.

4. QUESTION: Have you, or any partnership or closely held corporation in which you have an interest, ever participated in Federal commodity price support programs? (If yes, provide all details including amounts of direct government payments and loans received or forfeited by crop and farm, etc. during the past five years.)

   ANSWER: No.

5. QUESTION: Have you, or any partnership or closely held corporation in which you have an interest, ever received a direct or guaranteed loan from or cosigned a note to the Farmers Home Administration? (If yes, give details of any such loan activity during the past five years.)

   ANSWER: No.

6. QUESTION: Have you, or any partnership or closely held corporation in which you have an interest, ever received payments for crop losses from the Federal Crop Insurance program? (If yes, give details.)

ANSWER: No.

7. QUESTION: If confirmed, do you have any plans, commitments, or agreements to pursue outside employment or engage in any business or vocation, with or without compensation, during your service with the government? (If so, explain.)

ANSWER: No.

8. QUESTION: Do you have any plans to resume employment, affiliation, or practice with your previous employers, business firms, associations, or organizations after completing government service? (If yes, give details.)

ANSWER: No.

9. QUESTION: Has anyone made a commitment to employ you or retain your services in any capacity after you leave government service? (If yes, please specify.)

ANSWER: No.

10. QUESTION: Identify all investments, obligations, liabilities, or other relationships which involve potential conflicts of interest in the position to which you have been nominated.

ANSWER: None.

11. QUESTION: If confirmed, explain how you will resolve any potential conflict of interest including any that may be disclosed by your responses to the above items.

ANSWER: To the best of my knowledge, the only potential conflict would lie with my farming and ranching operation. I have a majority ownership interest in the Parnell Dunipace Ranch, constituting approximately 160 acres located in Auburn, California. The ranch is operated as a partnership with my oldest son, Randy Parnell. I have in recent years played no management role with respect to the operation of the ranch, and I pledge to continue to abstain from involvement in the management of the enterprise during my tenure as Deputy Secretary of Agriculture. I have also in recent years derived no earned income from the ranch enterprise; I expect to continue to receive a partnership share of the income produced during my tenure as an official of the Department of Agriculture. See also my letter to Frank Q. Nebeker, Director, Office of Government Ethics. (Attachment A)

April 4, 1989

Honorable Frank Q. Nebeker
Director
Office of Government Ethics
1201 New York Avenue, N.W.
Washington, D. C.

Dear Mr. Nebeker:

The purpose of this letter is to detail the steps I intend to take to assure that no actual or apparent conflict of interest will exist between my personal financial interests and the duties I will perform if confirmed to serve as Deputy Secretary of Agriculture.

I have served as an official of the State of California since January 1983 -- first as Deputy Director of the Department of Food and Agriculture, then as Director of the Department of Fish and Game, and, from June 1987 to the present, as Director of the Department of Food and Agriculture. I plan to resign from my position as Director of the Department of Food and Agriculture upon my confirmation to serve as Deputy Secretary of Agriculture. As an employee of the State of California, I have participated since 1983 in the California Public Employees Retirement System; my interest therein, however, is fully vested and does not represent a continuing financial relationship with the State of California.

I have a majority ownership interest in the Parnell Dunipace Ranch, constituting approximately 160 acres located in Auburn, California. The ranch is operated as a partnership with my oldest son, and in addition to approximately 250 head of cattle on the ranch we also grow Christmas trees, pumpkins, squash, apples, pears, cherries, and persimmons. I have in recent years played no management role with respect to the operation of the ranch, and I pledge to continue to abstain from involvement in the management of the enterprise during my tenure as Deputy Secretary. I have also in recent years derived no earned income from the ranch enterprise; I expect to continue to receive a partnership share of the income produced during my tenure as an official of the Department of Agriculture.

I also have sole ownership, and serve currently as President and a Director, of both Angus Hills, Inc., which operates a golf course located in Auburn, California; and Headquarter House Restaurant, Inc., also located in Auburn, California, and comprising both a restaurant and a retail meat shop. My only income from these business enterprises in recent years has been in the form of rental income, which I intend to continue to receive during my period of service as Deputy Secretary. I will, however, resign from my positions as President and Director of each of these corporations upon my confirmation for the Deputy Secretary position.

I wish to take steps to assure that no actual or apparent conflict of interest will arise as a result of my continuing ownership interest in the production of cattle, and my ownership interest in an establishment selling meat food products at retail. The production of cattle on my ranch is not regulated in any direct manner under the programs and activities of the Department of Agriculture. Likewise, since the Headquarter House, Inc., retail meat operation does not prepare or sell meat food products for movement in interstate commerce, no USDA programs or activities directly regulate the business operations of that corporation. However, in order to avoid even the appearance of a conflict of interest, I pledge during my tenure as an official of the Department of Agriculture to abstain from participation in all livestock quarantine, animal health, and other related particular matters; as well as all particular matters involving the marketing, slaughter, inspection and grading of animals and meat food products, arising within the Department of Agriculture with respect to livestock production and slaughter operations in Placer County, California, where these cattle and meat shop enterprises are located. While these steps are not required as a matter of law, I believe they will serve to assure that no appearance of a conflict of interest will arise as a result of my continuing financial interests in these business operations.

I am the founder and major shareholder of the Bank of Commerce, a small commercial bank located in Auburn, California, and I presently serve as well as Chairman of its Board of Directors. While I will retain my ownership interest in the bank, I will resign as Chairman of the Board of Directors upon my confirmation to serve as Deputy Secretary of Agriculture.

I am also presently serving as an elected member of the Board of Directors of the California Livestock Production Credit Association, until recently a member institution of the Farm Credit System. By vote of its Board of Directors and its membership, the institution is withdrawing from the Farm Credit System and is in the process of becoming a State-chartered banking institution. I pledge to resign as a Director of the Association, and of its successor institution, upon my confirmation to serve as Deputy Secretary of Agriculture.

To my knowledge, neither the Bank of Commerce nor the California Livestock Production Credit Association participates with the Farmers Home Administration of the Department of Agriculture in the extension of credit to agricultural producers or others. There may be occasions, however, when one of these institutions will have made a loan to a farmer or rancher to whom the Farmers Home Administration has likewise extended credit. Since I will retain my shareholder's interests in both institutions, and in order to avoid any appearance of a conflict of interest, I pledge to recuse myself during my tenure as an official of the Department of Agriculture from participation or involvement in any particular matters which may arise within the Department involving or affecting agricultural loans or other financial matters in which either of these banking institutions may have an interest.

Based on the steps I have agreed to take, as outlined above, I believe that no actual or apparent conflict of interest will arise between my personal financial interests on the one hand, and the duties I will perform as Deputy Secretary of Agriculture on the other.

Sincerely,

Jack C. Parnell

RESUME

JACK C. PARNELL

EDUCATION:

San Juan High School, Sacramento, CA - 1952.

Healds Business College, San Francisco, CA.
(High School Diploma & Various College Courses)

Sacramento City College, Sacramento, CA. L.U.T.C. Course.

Graduate of Western College of Auctioneering, Billings, Montana.

WORK HISTORY

1987-Present - Director, California Department of Food and Agriculture. Appointed by Gov. Deukmejian.

1984-1987 - Director, California Department of Fish and Game. Appointed by Gov. Deukmejian.

1983-1984 - Deputy Director, California Department of Food and Agriculture. Appointed by Gov. Deukmejian.

1966-1983 - Pedigree Livestock Auctioneer. Traveled extensively throughout the United States and Canada until 1983 when I joined the Deukmejian Administration.

1966-1972 - Owner and Publisher of the California Cattleman's Magazine

1964-1966 - Field Editor for Pacific Stockman and Stockman Weekly.

1960-1965 - Managed and operated diversified agricultural operations, Elbo Angus Ranch, Elk Grove, Calif.

1956-Present - Formed Dunipace Angus Ranch (Registered Angus Cattle). Also peach, pear, persimmon, cherry, tree fruit production. Also pumpkin, squash and Christmas tree production.

1954-1966 - Started, developed and ran Sacramento's largest independent building maintenance company (Regal Building Maintenance Co.), while attending college.

.. Performed various tasks at Crystal Cream and Butter Company, (driver, retail, wholesale, plant operations) while attending college.

ACCOMPLISHMENTS:

1975-Present - Built and operate Headquarter House Restaurant, Auburn, California.

1976-Present - Built and operate Headquarter House Country Meat Shop, Auburn, California.

1977-Present - Built and operate Angus Hills Golf Course, Auburn, California.

1982 - Founder and Chairman of the Board "The Bank of Commerce".

.. Elected to the National Board of American Angus Association.

.. Elected to the Board of Directors of the California Production Credit Association.

.. Past President of the 20th District Agricultural Association. Appointed by Governor Reagan.

.. Past President California Angus Association.

.. Past President California Auctioneers Association.

.. Board Member of Western States Angus Association.

.. Member, Pacific Fisheries Management Council. Appointed by Governor Deukmejian.

.. Member, Advisory Board on Air Quality and Fuels. Appointed by Governor Deukmejian.

PROFESSIONAL SOCIETIES AND ORGANIZATIONS:

California Farm Bureau Federation

California Cattlemen's Association

Tahoe Cattlemen's Association

American Angus Association

Western States Angus Association

California Angus Association

National Clydesdale Association

HOBBIES

Single engine and multi-engine rated pilot.

Drive eight-up hitch of Clydesdale draft horses for pleasure, in competition and promotion of various businesses.

Golf.

HONORS AND AWARDS:

Recipient: Resolutions from both Senate and Assembly for Outstanding Service to State of California - 1989

Auburn Salutes Man of the Year - January 1988
For many years of personal commitment to the Auburn Community, Placer County and the State of California.

Designated Commodore Port of Sacramento - Meritorious Support - 1988.

Exemplary Service in the Campaign Against Marijuana Planting, 1985 - Presented by the Chief of the Bureau of Narcotics Enforcement, Charles Casey, and Attorney General John Van de Kamp.

Degree of Honorary Chapter Farmer, Nevada Union Future Farmers of America, May 1974 and May 1981.

Friend of Auburn Faith Hospital Association Award - 1981

Outstanding Support - Future Farmers of America - Vocational Agriculture and Youth of Community

Friends of 4H (4H Salute) - Development of responsible youth.

Contribution to the World Angus Forum - October 1973 - Kansas City, Missouri

Appreciation Award for Service to the California Angus Association - 1972.

Dedicated Service Award as a Board Member of the American Angus Association - 1972-75

Numerous awards for service to County Fairs, the State Fair and the Grand National Livestock Exposition for auctioneering services.

PERSONAL HISTORY:

Birth date: May 7, 1935, in Leavenworth, Washington
Raised in Fair Oaks, California, on father's dairy ranch.

Family: Married - Susan Musso - also grew up with a farming background.

Three children, Jack R. (Randy), Lon C., and Jill C., all married; six grandchildren.

Address: Home: 9990 Mt. Vernon Road, Auburn, CA 95603

Work: California Dept. of Food and Agriculture
1220 N Street, Suite 409, Sacto., CA 95814

Phone: Home (916) 885-7378
Work (916) 445-7126

References furnished upon request.

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

April 11, 1989

Honorable Patrick J. Leahy
Chairman
Committee on Agriculture, Nutrition,
and Forestry
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

In a meeting with members of the Committee's staff held prior to the hearing to be held today on my nomination to serve as Deputy Secretary of Agriculture, a question was raised regarding my continued partnership interest in the operations conducted on the Parnell Dunipace Ranch. Since the crops produced on the ranch constitute neither commodities for which Federal price support loan programs are available, nor commodities to which Federal marketing order provisions apply, I have pledged to continue to abstain from any involvement in the management of the farming enterprise but have taken no further steps -- such as a cash rent arrangement -- to divorce myself from sharing in the profits of the farming operations.

Members of the Committee's staff asked whether we had considered the availability of disaster payments for non-program crops under legislation enacted in 1988 and applicable only to 1988 crops. In fact, legislation has been enacted in each of the years 1986 through 1988 which made disaster payments available in certain circumstances to producers of non-program crops when they had suffered losses due to such conditions as drought or excessive moisture. My farming operations have never suffered the requisite conditions, nor applied for the assistance described.

Nonetheless, there is a possibility that similar legislation could be enacted making such payments available for non-program crops in the future, and that weather conditions in California could affect operations on my ranch so as to make an application for such payments possible. In order to avoid any possibility that I could share in

payments received under any such program, I have decided to enter into a cash rent arrangement with my son -- who operates the ranch. Under this arrangement, I will receive only a fixed cash rental during the years in which I serve as an official of the Department of Agriculture. The rental will be established at rates which reflect rates charged for the rental of similar land in Placer County, California, and will bear no relationship to the profitability of the farm enterprise.

While no laws are presently in effect requiring that this action be taken, I believe that the possibility exists that such enactments could be repeated during the years in which I will serve as an official of this Department. I believe that this additional step will serve to assure, in that eventuality, that no conflict will exist between my personal financial interests and the duties I will perform if I am confirmed to serve as Deputy Secretary of Agriculture.

Sincerely,

Jack C. Parnell
Deputy Secretary-Designate

The CHAIRMAN. I should note that we will put in the record the letter you sent me on the cash lease of your farm.

Mr. PARNELL. Thank you very much.

[The letter from Mr. Parnell can be found on pages 46 and 47.]

The CHAIRMAN. Dr. Crowder, if you will come forward.

I understand you have your son, Matthew with you.

Dr. CROWDER. Yes, sir, I do.

The CHAIRMAN. Is that Matthew?

Dr. CROWDER. That is Matthew.

The CHAIRMAN. All right, I just want to note for the record that the nominee's son, who is considerably better looking than the nominee [laughter] is here, and, Matthew, you may want to frame that part of the record for yourself. [Laughter.]

And, again, I might say that, Dr. Crowder, I am delighted you were able to have your son here. As I said to Mr. Parnell, I think at some hearings like this, having a member of your family must be a matter of some pride to you, and your son seems like a very nice young man.

I will swear you in and then we can go on with your statement.

Do you solemnly swear the testimony which you will be giving this committee shall be the truth, the whole truth, and nothing but the truth, so help you God?

Dr. CROWDER. I do.

The CHAIRMAN. I might also note that, again, as I did earlier, we have had to move these hearings around, and it is one of the reasons why a number of the committee members have been stepping in and out. The other reason is, of course, that nobody is hollering about your credentials or about your nomination, so go ahead with your statement, sir.

TESTIMONY OF RICHARD T. CROWDER, DESIGNEE, DEPUTY UNDER SECRETARY OF AGRICULTURE FOR INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS

Dr. CROWDER. Mr. Chairman, I am honored by being nominated by President Bush to the post of Under Secretary of Agriculture for International Affairs and Commodity Programs, and I appreciate the opportunity to appear before your committee today. Should I be confirmed, I look forward to working with the committee and its staff.

As you know from the background material you have received on me, I have been involved in agriculture and the food industry basically all my life. I have been fortunate enough to have worked in production agriculture and food industry positions that have touched most major segments and commodities in U.S. agriculture. Consequently, I understand that there are individual as well as collective concerns and recognize the importance of working together to address all issues.

I do not underestimate the challenges of the job, and understand that there are budget issues that will require a full evaluation of the tradeoffs we must make. At the same time, two of the most important agenda items we have—the 1990 farm bill and the GATT negotiations—provide us with an opportunity to create a better environment for American agriculture. We have a good base on

which to build—the movement to a more market oriented farm economy that came with the 1985 farm bill, and the opportunity to increase world trade as a result of the GATT negotiations.

Agriculture is the most efficient industry we have. We can compete on a global basis. And it is important that our policies provide the opportunities for us to compete to the fullest extent possible.

To develop the best policy, it is important that we have input from all segments of agriculture, from Congress, particularly the Agriculture Committees, and from the administration. Based upon the conversations I have had with members of this committee, I am confident not only about the ability to work together, but also about the quality of input and ideas, and ultimately the policies to be developed and implemented.

Again, Mr. Chairman, I thank you for the opportunity to be here, and will be glad to respond to any questions.

[The prepared statement, memorandum, and letter of Dr. Crowder follow:]

OPENING STATEMENT
RICHARD T. CROWDER, DESIGNEE
UNDER SECRETARY OF AGRICULTURE FOR INTERNATIONAL AFFAIRS
AND COMMODITY PROGRAMS
BEFORE THE SENATE COMMITTEE ON AGRICULTURE,
NUTRITION AND FORESTRY
APRIL 11, 1989

Mr. Chairman, I am honored by being nominated by President Bush to the post of Under Secretary of Agriculture for International Affairs and Commodity Programs and I appreciate the opportunity to appear before your committee today. Should I be confirmed, I look forward to working with the committee and its staff.

As you know from the background material you have received on me, I have been involved in agriculture and the food industry basically all of my life. I have been fortunate enough to have worked in production agriculture and food industry positions that have touched most major segments and commodities in U.S. agriculture. Consequently, I understand that there are individual as well as collective concerns and recognize the importance of working together to address all issues.

I do not underestimate the challenges of the job and understand that there are budget issues that will require a full evaluation of the trade offs we must make. At the same time, two of the most important agenda items we have - the 1990 Farm Bill and the GATT negotiations - provide us with an opportunity to create a better environment for American agriculture. We have a good base on which to build - the movement to a more market oriented farm economy that came with the 1985 Farm Bill and the opportunity to increase world trade as a result of the GATT negotiations.

Agriculture is the most efficient industry we have. We can compete on a global basis. And it is important that our policies provide the opportunities for us to compete to the fullest extent possible.

To develop the best policy, it is important that we have input from all segments of agriculture, from Congress, particularly the Agriculture Committees and from the Administration. Based upon the conversations I have had with Members of this committee, I am confident not only about the ability to work together, but also about the quality of input and ideas, and ultimately the policies to be developed and implemented.

Again, Mr. Chairman, I thank you for this opportunity and will be glad to respond to any questions.

MEMORANDUM

DATE: April 7, 1989

TO: Senate Committee on Agriculture,
Nutrition and Forestry

FROM: Richard T. Crowder
Under Secretary-Designate for International Affairs
and Commodity Programs

RE: Questionnaire for U.S. Department of Agriculture
Nominees

The following are answers to your questions concerning my nomination as Under Secretary for International Affairs and Commodity Programs at the Department of Agriculture:

BIOGRAPHICAL INFORMATION (PUBLIC)

1. Full name (include any former names used).

   Richard Thomas Crowder

2. Address: List current place of residence and office address(es). List all office and home telephone numbers where you may be reached.

   Home Address: 17720 6th Avenue North
   Plymouth, MN 55447
   612 475-1061

   Office Address: U.S. Department of Agriculture
   Washington, D.C. 20250
   202 447-3731

3. Date and place of birth.

   August 3, 1939 - Baskerville, VA 23915

4. Marital Status (include maiden name of wife or husband's name). List spouse's occupation, employer's name and business address(es).

   Married September 4, 1960
   Spouse: Margaret Rainey Crowder
   Maiden Name: Margaret Taylor Rainey
   Spouse's Address: 17720 6th Avenue North
   Plymouth, MN 55447

5. Education: List each college and graduate or professional school you have attended, including dates of attendance, degrees received, and dates degrees were granted.

   Virginia Polytechnic Institute and State University
   1956-1960 B.S. Agricultural Economics
   1960-1962 M.S. Agricultural Economics

   Oklahoma State University
   1964-1966 Ph.D. Agricultural Economics
   Degree granted May 1967

6. Employment Record: List (by year) all business or professional corporations, companies, firms, or other enterprises, partnerships, institutions and organizations, nonprofit or otherwise, including farms, with which you were connected as an officer, director, partner, proprietor, or employee since graduation from college; include a title and brief job description.

   Department of Agricultural Economics
   Oklahoma State University
   Stillwater, Oklahoma
   February 1964-October 1966

6. (cont'd)

Research Assistant (February 1964-September 1965) and
Instructor (September 1965-October 1966)

Responsibilities included agricultural economics research, primarily in dairy industry economics, and teaching a junior level course in agricultural price analysis.

Humble Oil & Refining Company
Houston, Texas
October 1966-February 1968

Staff Economist with responsibilities including macro economic forecasting, natural gas pricing analysis and analysis of long term environmental trends.

Wilson & Co., Inc.
Chicago, IL (February 1968-February 1970)
Oklahoma City, OK (February 1970-March 1975)

Manager Economic Analysis and Manager Economic Analysis and Operations Research

Responsibilities included macro economic forecasting, commodity price forecasting, developing cash cattle and hog contracts for use with cattle and hog futures, cattle feeding programs, management of broiler operations, developing linear programming models for manufacturing and inventory control, financial analysis, lamb feeding programs, manufacturing yield analysis, commodity risk management and special projects for senior management.

The Pillsbury Company
Pillsbury Center 3883
Minneapolis, MN 55402

Vice President March 1975-September 1983
Senior Vice President September 1983-February 1989
Employee Consultant February 1989-March 1989

Duties included macro economic forecasting, commodity price and policy analysis, commodity risk management, compliance officer for CFTC and commodity exchange issues, Executive Vice President and Chief Financial Officer for The Pillsbury Restaurant Group, Strategic Planning, President of Distron--a food service distributin subsidiary, serving on the boards of Pillsbury Commodity Services--an in-house commodity brokerage company, Burger King Corporation, Steak & Ale Corporation and QSV Properties--a publicly traded master limited partnership, financial analysis and special projects.

Richard Thomas Crowder
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6. (cont'd)

Soo Line Corporation
Minneapolis, MN 55402

Director August 1986-February 1989

7. Military Service: Have you had any military service? If so, give particulars, including the dates, branch of service, rank or rate, serial number and type of discharge received.

Commissioned 2nd Lieutenant U.S. Army June 1960
Active Reserve June 1960-January 1962
Active Duty January 1962-January 1964
Served as armor officer in 2nd Armed Calvary Regiment in Germany
Active Reserve June 1964-October 1966

Honorable discharge with rank of Captain 1968

Serial Number 05212615

8. Government Service: State (chronologically) your government service or public offices you have held, including the terms of service grade levels and whether such positions were elected or appointed.

None

9. Honors and Awards: List any scholarships, fellowships, honorary degrees, and honorary society memberships that you received and believe would be of interest to the Committee.

Future Farmers of America Scholarship 1956-1960 at Virginia Polytechnic Institute and State University.

State Teachers Scholarship 1957 at Virginia Polytechnic Institute and State University.

Alpha Zeta and Phi Kappa Phi honorary fraternitities

Outstanding Alumni Award
Department of Agricultural Economics
Oklahoma State University

10. Other Memberships: List all organizations to which you belong, excluding religious organizations.

Wayzata Country Club
Wayzata, MN

Richard Thomas Crowder
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10. (cont'd)

Minneapolis #9 Rotary Club

American Agricultural Economics Association

11. Published Writings: List the titles, publishers, and dates of books, articles, reports, or other published materials (including published speeches) you have written. Please include on this list published materials on which you are listed as the principal editor. It would be helpful to the Committee if you could provide one copy of all published material that may not be readily available. Also, to the maximum extent practicable, please supply a copy of all unpublished speeches you made during the past five years on issues involving agriculture, nutrition, forestry or commodity futures policy or related matters.

"Global Agriculture - The Need for New Approaches to Policy and Markets" - J. W. Fanning Lecture, The University of Georgia, April 1987.

"Economics of Grain and Soybean Processing in the Unitd States" (with Paul L. Farris, Reynold P. Dahl and Sarahelen Thompson) in Economics of Food Processing in the United States, edited by Chester O. McCorkle, Jr., San Diego; Academic Press, Inc. 1988, Food Science and Technology, pp. 315-348.

While I have given a number of speeches in the past five years relating to agriculture, a majority were given extemporaneously. Of the speeches I have given with a prepared text, at this time I have only one speech available to me, which I have attached.

12. Health: What is the present state of your health?

Excellent

Richard Thomas Crowder
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FINANCIAL DATA AND CONFLICT OF INTEREST (PUBLIC)

1. Have you severed all connections with your immediate past private sector employers, business firms, associations, and/or organizations?

   Yes

2. List sources, amounts and dates of all anticipated receipts from deferred income arrangements, stock options, incompleted contracts and other future benefits which you expect to derive from previous business relationships, professional services, firm memberships, former employers, clients, or customers.

   Based upon a contract signed in November 1988, medical and dental coverage for my family and me is to continue through March 31, 1991.

3. Do you, or does any partnership or closely held corporation in which you have an interest, own or operate a farm or ranch? (If yes, please give a brief description including location, size and type of operation.)

   Yes. I own a farm im Mecklenburg County Virginia (340 acres) on which the following crops are grown and/or have acreage bases - corn, wheat, oats, sorghum and tobacco. Historically, I have been the operator of the farm on a share crop basis with two of my distant cousins. During any tenure as Under Secretary of Agriculture for International Affairs and Commodity Programs, my cousins will be the operators. I will receive a cash rent.

4. Have you, or any partnership or closely held corporation in which you have an interest, ever participated in Federal commodity price support programs? (If yes, provide all details including amounts of direct government payments and loans received or forfeited by crop and farm, etc. during the past five years.)

   Yes - (Attachment A)

5. Have you, or any partnership or closely held corporation in which you have an interest, ever received a direct or guaranteed loan from or cosigned a note to the Farmers Home Administration? (If yes, give details of any such loan activity during the past five years.)

   No

6. Have you, or any partnership or closely held corporation in which you have an interest, ever received payments for crop losses from the Federal Crop Insurance program? (If yes, give details.)

   No

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7. If confirmed, do you have any plans, commitments, or agreements to pursue outside employment or engage in any business or vocation, with or without compensation, durng your service with the government? (If so, explain.)

No

8. Do you have any plans to resume employment, affiliation, or practice with your previous employers, business firms, associations, or organizations after completing government service? (If yes, give details.)

No

9. Has anyone made a commitment to employ you or retain your services in any capacity after you leave government service? (If yes, please specify.)

No

10. Identify all investments, obligations, liabilities, or other relationships which involve potential conflicts of interest in the position to which you have been nominated.

As explained in response to question 3 above, I own a farm in Mecklenburg County, Virginia. In addition, I will retain a financial interest in the Pillsbury Company as a result of my family's continuing coverage, for the next two years, under the Pillsbury medical and dental health insurance plan. Finally, I will retain my ownership of the tobacco allotment on my Mecklenburg County farm, and will this year receive cost-share payments from the Agricultural Stabilization and Conservation Service for forestry practices already performed on the farm.

11. If confirmed, explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items.

See the attached copy of my letter addressed to the Director of the Office of Government Ethics, dated April 4, 1989.

(Attachment B)

Attachment A

RICHARD T. CROWDER
SCHEDULE OF ASCS PAYMENTS RECEIVED

YEAR	PAYMENT
1984	NONE
1985	NONE
1986	$ 385
1987	$ 1152
1988	$ 2565

Attachment B

April 4, 1989

Honorable Frank Q. Nebeker
Director
Office of Government Ethics
1201 New York Avenue, N.W.
Washington, D.C.

Dear Mr. Nebeker:

The purpose of this letter is to detail the steps I intend to take to assure that no actual or apparent conflict of interest will exist between my personal financial interests and the duties I will perform if confirmed to serve as Under Secretary of Agriculture for International Affairs and Commodity Programs.

I have been employed by and have served in various positions with the Pillsbury Company, Minneapolis, Minnesota, since 1975. From 1983 through January of this year, I have served as Senior Vice President for Strategic Planning and Corporate Risk Officer. While I resigned from my position as an officer of Pillsbury in January, I have continued to serve during the months of February and March of this year as an employee consultant to Pillsbury; the latter employment relationship was terminated effective March 31, 1989.

I have also during my years as an officer of Pillsbury served as a director of a number of Pillsbury subsidiaries -- including QSV Properties, Inc., the Burger King Corporation, and the Steak & Ale Corporation. I have resigned from all of these directorships, and no longer have any employment or other similar relationship with the Pillsbury Company or with any of its subsidiary or related enterprises.

With the approval of the Secretary of Agriculture, I have elected to retain one continuing relationship with Pillsbury. Under the terms of my employment contract with Pillsbury, which is the standard contract used by the company for all elected officers, I am entitled to retain coverage for myself and my family under Pillsbury's medical and dental health insurance plan for a period of two years after my service with Pillsbury has been terminated. Pillsbury is required under the contract to maintain such coverage by continued payment of the required premiums

during the two-year period. As discussed below, the Secretary has determined that such interest is an appropriate subject for a waiver under the provisions of subsection (b) of section 208 of the United States Code.

My SF 278, Financial Disclosure Report, reflects two additional Pillsbury-related assets which deserve explanation. As a result of my employment by Pillsbury, I acquired interests in a 401(k) savings plan, an employee stock ownership plan, and a non-qualified deferred compensation plan. My interests in those plans are reflected in a single asset entry on the SF 278. The assets represented are invested in two mutual funds and in a fixed income account. While the assets are therefore derived from my employment with Pillsbury, they are invested at my direction in investments which I control. I am free to sell my interests in the mutual funds and the investment account at any time, and these interests thus do not constitute any continuing interest in or relationship with the Pillsbury Company.

I have also participated, and have a significant interest, in Pillsbury's salaried retirement plan, a fixed benefit plan under which I am entitled to receive full monthly payments beginning at age 62. Pillsbury's plan currently contains over $400 million in assets, which are held in trust and managed by a trustee; the funds are invested in a broadly diversified investment portfolio, and cannot be accessed by Pillsbury. These funds are protected by the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), and are covered as well by private insurance under provisions administered by the Pension Benefit Guaranty Corporation under title IV of ERISA. Thus, while my interest in the Pillsbury plan derives from my employment with the company, it is fully vested and cannot be considered a continuing financial interest in Pillsbury.

Because of my long and substantial relationship with the Pillsbury Company, and notwithstanding the fact that I have severed all financial relationships with the company but for my continuing interest in the medical and dental health insurance plan described above, I hereby pledge to recuse myself from participation in any and all particular matters which may arise within the Department of Agriculture involving the Pillsbury Company or any of its subsidiaries

during the first year of my tenure in the Department. Further, since I have served until recently as a Director of the Soo Line Corporation, I will likewise recuse myself during the first year of my service from participation in particular matters arising within the Department involving that corporation. While these steps are not necessary as a matter of law, I believe that they will serve to assure that no appearance of a conflict of interest will arise because of my past associations with Pillsbury or Soo Line.

I also own farmland constituting two farm parcels on approximately 370 acres located in Mecklenburg County, Virginia, and farming operations are currently conducted on approximately 340 of those acres. The crops produced on the farms include wheat, oats, rye, corn, sorghum, and tobacco. In recent years, the farms have been operated by a tenant on a crop-share basis, and I have received each year a share of the crop proceeds as well as rental income for the dwelling located on one of the parcels. I have therefore been enrolled, as has my tenant, as an operator of the farms in the county office of the Agricultural Stabilization and Conservation Service (ASCS) in Mecklenburg County. For the current crop year and all successive years during my tenure as a USDA official, these parcels will be operated strictly on a cash rent basis; the rents payable to me will constitute my only return from these parcels, will be established to reflect the value of the lands rented, and will be based upon other rentals of comparable lands in the Mecklenburg County area. Also during my period of service as an official of USDA, I will not be enrolled as a farm operator in any USDA price support, loan, or related programs. Any participation in USDA programs will be in the name of my tenant; the tenant will have complete discretion to manage the farming operations and will receive all proceeds from the sales of crops produced. I will retain no interest in the crops produced on these farms during may tenure as a USDA official, and will play no role in the management of the farming enterprise. Several years ago, I enrolled a limited number of the farms' acres in USDA's Conservation Reserve Program (CRP), and have thus received cost-share payments under the CRP; during the period in which I serve as an official of USDA, my tenant will be my successor-in-interest under the CRP and will thus directly receive all cost-share payments to be made under the CRP during this period.

I also own a total base tobacco allotment on these two parcels of 9.08 acres, reflecting a marketing quota for approximately 17,100 pounds of flue-cured tobacco. I intend to retain my ownership of these allotments, but to lease the allotments to my tenant during the years in which I will serve in USDA. My tenant will therefore during these years be personally responsible for all tobacco production and marketing of tobacco produced on these allotments. He will determine whether or not to participate in the price support loan program for tobacco, will pay any no-net-cost assessments levied, and will directly receive all proceeds from sale of the tobacco produced.

I have also participated in the Forestry Incentives Program administered by ASCS under which, on eligible farms not exceeding 1,000 acres, certain reseeding and other approved forestry practices are performed and the landowner's expenses are partially reimbursed by receipt of cost-share payments. This is the first year in which I have performed any practices under the program and, for this year, the approved practices have been completed and I am thus due to be reimbursed for a portion of my costs. I will not participate further in the program during my tenure as an official of USDA.

The Secretary of Agriculture has determined that (1) my financial interest in the Pillsbury medical and dental health insurance plan, (2) my retention of my ownership interest in the tobacco allotments on my Mecklenburg County farm parcels, and (3) my eligibility this year to receive appropriate cost-share payments for forestry practices I have performed on those farm parcels, together do not constitute financial interests which are so substantial as to affect the integrity of the services I will perform for the government if confirmed to serve as Under Secretary of Agriculture for International Affairs and Commodity Programs. He has therefore indicated his willingness, upon my confirmation for and appointment to that position, to issue a written determination to that effect so that these interests will not be considered financial interests to which the provisions of subsection (a) of section 208, United States Code, will apply.

I believe that the steps I plan to take, as outlined above, will serve to assure that no actual or apparent conflict of interest will exist between my personal financial interests on the one hand, and the duties I will perform if confirmed to serve as Under Secretary of Agriculture on the other.

Sincerely,

Richard T. Crowder

RICHARD T. CROWDER

Education

B.S. Agricultural Economics, Virginia Tech	1960
M.S. Agricultural Economics, Virginia Tech	1962
Ph.D. Agricultural Economics, Oklahoma State University	1967
Stanford Executive Program, Stanford University	1981

Employment History

Graduate Research Assistant, Virginia Tech	1960-61
Extension Economist, Virginia Tech	1961
U.S. Army, Germany	1962-64
Research Assistant, Oklahoma State University	1964-65
Instructor, Oklahoma State University	1964-66
Staff Economist, Exxon USA	1966-68
Manager Economic Analysis, Wilson & Co.	1968-71
Manager Economic Analysis and Operations Research Wilson & Co.	1971-75
Instructor, Elmhurst College	1969
Vice President - Corporate Economist The Pillsbury Company	1975-83
Senior Vice President Strategic Planning The Pillsbury Company	1983-87
Senior Vice President and Corporate Risk Officer The Pillsbury Company	1987-88
Executive Vice President and CFO Restaurant Group The Pillsbury Company	1987-88
President Distron Division, Burger King Corporation The Pillsbury Company	1987-88

Professional, Trade and Civic Associations

National Freight Transportation Association
Sugar Users Group Policy Advisory Committee
Research Committee, National Grain and Feed Association
American Agricultural Economics Association
- Board of Directors
- Industry Committee
- Professional Registries Committee
- Management Structure and Procedures Committee
- Economic and Statistics Committee
- Nominating Committee
- Associate Editor, AJAE

Listed in: Who's Who in America (45th Edition 1988-89)
Who's Who in Finance and Industry
Standard & Poor's Register of Corporations, Directors and Executives

RICHARD T. CROWDER
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Seminars and Publications

Dartmouth College
Virginia Tech
Oklahoma State University
University of Minnesota
North Carolina State University
Research Bulletin, Virginia Tech
Co-chapter Author, Economics of Food Processing in the United States
J. Fanning Lectures, University of Georgia
Two articles in AJAE
Discussion of papers at AJAE meetings
Speaker at numerous conferences and trade association meetings

Civic/Other

Long Range Finance Plan Committee, City of Plymouth, Minnesota
Commodity Policy Advisory Committee - Office of Special Trade Representative
Congressional Office of Technology Assessment
Advisory Panel on Technology and the American Economic Transition
Governor's Long Range Plan Committee - State of Oklahoma
Distinguished Alumni Award, Department of Agriculture Economics, Oklahoma State University
Founder, W. L. Gibson Scholarship Fund
Department of Agricultural Economics, Virginia Tech
Advisory Committee, W. L. Gibson Scholarship
Virginia Tech
Stanford University Alumni Association
Virginia Tech Alumni Association

Boards of Directors

Soo Line Corporation
Burger King Investors MLP
Burger King Corporation
Steak and Ale Corporation
Pillsbury Commodity Services

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

April 10, 1989

Honorable Patrick J. Leahy
Chairman
Committee on Agriculture, Nutrition,
and Forestry
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

On April 4, 1989, I submitted to the Office of Government Ethics a copy of my SF 278, Financial Disclosure Report, required in connection with my nomination to serve as Under Secretary of Agriculture for International Affairs and Commodity Programs. That report contained all financial information for calendar year 1988 and for the current calendar year through April 4, 1989.

The Ethics in Government Act of 1978, as amended, also requires that I update certain of the information reported on the SF 278, i.e., that required by section 202(a)(1)(A) of the Act, respecting income (other than dividends, interest, rents, and capital gains) and honoraria, to a date which occurs five days before the date of the hearing to be held by your Committee to consider my nomination. The hearing to be held on my nomination is presently scheduled for Wednesday, April 12, 1989. The purpose of this letter is to report that, as of April 7, 1989, I have received no income or honoraria in addition to those categories and amounts of income shown on my Financial Disclosure Report as dated and filed on April 4, 1989.

I trust that this letter satisfies the additional applicable reporting requirements contained in the Ethics in Government Act.

Sincerely,

Richard T. Crowder
Under Secretary-Designate for International
Affairs and Commodity Programs

The CHAIRMAN. Thank you very much.

There are standard questions that we always ask: If you are confirmed by the Senate, will you faithfully execute the laws passed by the Congress, regardless of any prior statements you have made, or biases you may have held?

Dr. CROWDER. I will.

The CHAIRMAN. And if your nomination is approved by the committee and the Senate, do you promise to respond to requests to appear and testify before this committee, or any other duly constituted committee of the Senate?

Dr. CROWDER. I do.

The CHAIRMAN. Agricultural spending is projected by the USDA to decline to less than $12 billion in fiscal year 1990 in the commodity programs. On top of that, the administration proposed further cuts of $1.1 billion.

In the short run, for fiscal year 1990, the President has proposed a couple of ways to achieve savings—one is cutting target prices.

How large a target price cut will be required to achieve this $1.1 billion savings for fiscal year 1990, given that the target price cut is not larger than the reduction in payments that we anticipate?

Dr. CROWDER. I am not familiar with the specific numbers that would, applied to the target price, give those general figures for savings.

I do know that the budget staff of the USDA is working on alternatives, and I have been told by Secretary Yeutter that once I am confirmed, one of my first jobs is to get right into the middle of that, and I would be glad to get back to you. I do not know the specific tradeoffs for the target prices to achieve the $1.1 billion at this time.

The CHAIRMAN. Well, we also end up paying less than the farmers' permitted acreage, and what kind of reduction in payment base would be needed to achieve that, on the $1.1 billion.

I might suggest that maybe you and the committee staff might get together before you submit your answer, to just make sure that we are looking specifically at that question. I realize this is not actually your problem, but I would like to have an answer on that.

We are wondering what effect these proposals would have on the farming income in both 1990 and 1991?

Dr. CROWDER. OK, I will get in touch with your staff on that.

The CHAIRMAN. Do you have any idea of what should be an acceptable level of spending for agriculture?

Dr. CROWDER. Not at this stage, Senator. I have been here about 5½ days, now.

The CHAIRMAN. I just thought you were going to make our debate easier for us. There may be even some disagreements around this table. I can't imagine anybody differing from what my estimates might be, but, you know, sometimes they do.

We want to look at the commodity program management, and looking at some of the numbers that I received yesterday, corn starts, 1.4 billion bushels in 1980, 3.5 billion in 1982, back to 1 billion in 1983, up to 4.9 billion bushels in 1986, 70 million acres taken off production in 1983 and 1988.

Now, what I would like to do when we are looking at this 5-year farm bill is to have something that gets us off of that roller coaster.

The farmers have a hard enough time planning ahead, especially with the exigencies of weather, the drought that we saw last year, the very dry situation in a number of States already.

So, do you have any feeling in your approach to stock and commodity production management? Are you ready to use the acreage reduction program?

Dr. CROWDER. Well, I think that, given the uncertainties—there are two factors with respect to stocks. One is the production side, which is driven, in large part, by weather here, and the second part is the demand side, particularly the export side, which is driven in large part by weather and economic conditions around the world, and both of those are extremely difficult to control.

I think that in terms of looking at how you manage this that it should not be done necessarily on a year-to-year basis, but with a longer term perspective, and by giving the producer as much flexibility as you can to respond to what the market price is telling him.

But, based on my experience with commodities over the years, it is very difficult to control the uncertainties—to manage around that uncertainty of weather, both here and abroad.

The CHAIRMAN. I expect that as we get into the farm bill you will be probably spending more time than you would like up here with the committee, both in formal hearings and informally with some of the members, myself and others, who will be interested in it.

I know we have a vote coming soon, and some of these questions I will have to submit for the record because of that. I mentioned, you heard, to Mr. Parnell, the concern we have in groundwater. I think that is a concern everybody has, especially those who live in rural America, but the rest of us as well, because we look at our children growing up and how it affects them.

If we are going to reduce chemical use, we have to also reduce the sort of disincentives in farm programs. We have some programs to encourage a producer to plant corn, and then follow with corn, then follow with corn and follow with corn, and make up the difference with chemicals.

Others are talking about sustainable agriculture, with a kind of rotation necessary. Secretary Yeutter mentioned that he also has an interest in sustainable agriculture.

So I would encourage you to look at that, and be prepared as you come back at other meetings, to give us suggestions to provide producer flexibility, rotation, and so on, with the, of course, very difficult other part of that, which is, how do you sustain farm income? How do you do it?

It is not an easy question, but it is going to have to be part of anything we do with protecting the groundwater.

If you have any thoughts now, feel free to express them.

Dr. CROWDER. I will get back to you, and I will be glad to work with you on it.

I think the point that you are making is one that says, as we look at formulating farm policy, it is a much more complex process, involving many more variables, than we may have considered in the past; the one with respect to groundwater and the effect on production. We have budget constraints, and any number of other

things. It is a much more complex process, with many more variables, and it is going to take a lot of input from a lot of people.

I look forward to working with your staff, and with you, on that—I will be more than glad to.

The CHAIRMAN. You understand, we have—I think all of us who are at this table want to see the United States always able to feed itself. It is part of our national security, and we are blessed with natural resources in this country that very few countries—certainly no major power that I know in this century have ever been blessed with.

But we also have a responsibility to make sure that the next generation, and the generation after, and so on, have those available. And, as we change our own population patterns, and as weather patterns change, and everything else, it is going to be more difficult to do that.

Sometimes the attitude of some in agriculture is business as usual, pour on more of the same. It just doesn't work any more. There is an openness, I think, in this committee to look at alternatives, and we just want to make sure there is an openness in the Department of Agriculture.

I was pleased with Secretary Yeutter's reference to being interested in that. Please look at it yourself, and be prepared to talk with us on it.

Dr. CROWDER. I think you will find an openness throughout the Department, Mr. Chairman.

The CHAIRMAN. Senator Lugar.

Senator LUGAR. Thank you, Mr. Chairman.

In my previous questions to Mr. Parnell, I appreciate that the details of the GATT agreement have not yet been published, and your Department will be analyzing those for us, so I will not pursue the specifics of the current situation, but I would like your overall judgement as a person who professionally has been involved in agriculture, and the international aspects of it, to give your own view of the broad scenarios that are often suggested for the future of agriculture in the world.

Certainly, one school of thought holds that in this country and in Europe, and increasingly in other countries, farmers and their governments have become more sophisticated in producing for national self-sufficiency. There have been strategic goals of self-sufficiency in many countries, and these are in the process of being fulfilled. Therefore, the assumption that the United States would be the breadbasket of the world, as population increased around the world, is not likely to come true, since production worldwide will increase.

Of course, the other school of thought is that population in the world, in the aggregate, is increasing very rapidly, and that that is likely to continue to be the trend, particularly in countries that find new development. As a result, even though they may wish—have a national will—to be self-sufficient, technically this may not be feasible, and therefore, the United States, with its great production ability, plus its reserve land, will be increasingly called upon to provide world stocks, and that will mean, interestingly enough, more demand for our farmers, and perhaps higher prices.

Which of these two general views do you think more accurately fits the world as you see it, or during your business professional life, if you were making assumptions for your company, can you give at least some glimmer of what the view was at that point?

Dr. CROWDER. Sure, the view was basically two-fold. One, that the most important thing for American agriculture, and agriculture around the world, is economic growth.

Consumption is a result of two things. One, the willingness to pay and two, the ability to pay. With the population growth, the willingness is there; the income growth is the ability to pay. So that is the biggest thing that we looked at in terms of how we approached the demand for products around the world.

Second, with respect to GATT, we firmly believe that removing trade barriers is not only good for economic growth, but also it would be good for American agriculture from a secular standpoint, and we think that our share could also grow.

So I think that if we can—and we have not given up on that, at least that is my understanding—eliminate the trade distorting mechanisms that we have in place, I believe that there is, and can be, a growing market for American agriculture in the world as well as domestically.

Senator LUGAR. Is it your judgment that that growth is dependent upon the success of reacting in some form, if not in the absolute, of reducing these barriers very substantially?

Dr. CROWDER. I think that the more that we reduce these trade inhibiting mechanisms that we have, the better our growth, both domestically and internationally, will be.

Senator LUGAR. Now, if that is true in the aggregate, and I believe that it is, and I share your bias there, how will the U.S. Department of Agriculture work through the rocks and shoals of the fact that, even if we are very efficient in a production sense in some commodities, we are not all that efficient in others, and at least one of the problems that we have had legislatively in Government lately, is that producers in the United States, in areas or in crops that are not necessarily worldwide the most efficient, demand protection for their inefficiency, in essence, thus inhibiting our overall posture with regard to the rest of the world.

The rest of the world, with their inefficiency, latches onto those. Those less efficient find each other, and as a result we are locked into the sort of patterns that we have had, which probably inhibit the farm income total in our country, although someone might offer the argument in a specific county in a specific State in our country, that without an overall, umbrella protection those farmers are going to be hurt.

Now, how will your leadership affect that situation?

Dr. CROWDER. I think you just went beyond the realm of experience that I have had to the experiences I am going into, and I do not have an answer.

I think that with the background that I bring, and working with the people with more experience here and others, that we will have to sort through that question.

But I do not have an answer, at least as satisfactory as I think I could give at a later time, in that regard.

Senator LUGAR. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Lugar.

Senator Conrad.

Senator CONRAD. Well, I would like to pursue that line of questioning. I have now received some of the studies we talked about earlier, Mr. Chairman, that have been done by the USDA, concerning the question of eliminating subsidies, so-called trade distorting subsidies. I think we could have a lengthy debate on what is trade distorting and what is not, and I think we will probably have the opportunity to have that debate.

But I must say, from my first review of these studies, and I have not had a chance to have a comprehensive review of them, some things really leap out.

One of the things that leaps out is, if you eliminate all subsidies—these are according to USDA's own studies—the increase in price that would be forthcoming from the market would not be enough in many instances to offset to the producer the loss of the subsidy.

And, in fact, producers in some sectors, namely the Northern Great Plains, and those who are in the grain markets, would have substantial reductions in income. And I mean substantial.

My question to you Mr. Crowder, would be what do you say to those producers who would be faced with losses of substantial parts of their income if the negotiating position, or at least the one that is currently being pursued, in fact is realized? What would you say to them?

They're expected to take a dramatic drop in income in parts of the country that are already very, very severely hurt financially. What is the explanation that would be given?

Dr. CROWDER. A two-part answer to that. First, I am not sure just what the consequences are here that you are talking about. And, on the second part of the answer to this question I think we are getting back into the situation that I was talking about with the Chairman a minute ago—the many variables that we're talking about in agriculture. This has to be tied in with the rural development question among others, and what we talked about here.

I think that to answer that just in the context of a hypothetical one commodity in one variable reduction without the context of other aspects of policy would probably be speculation on my part in terms of aiming for the right answer.

Senator CONRAD. I understand you have not had a chance to look at these studies, and I must say I have just done a preliminary review, but I was pretty startled by what I saw.

I would urge Mr. Parnell, as well, to take a look at these things. I know the position of the administration. It is very clear and very consistent, but the subsidy examination proposal has very serious ramifications, according to USDA's own analysis.

Very frankly, my part of the country can't take any more financial stress. It just can't. And what is revealed in those studies indicates very substantial additional financial stress. I would strongly urge you to take a concerned look at the conclusions drawn by the study. I would also suggest that we talk together further about the ramifications of what we are doing.

Dr. CROWDER. I will take a look at those myself, and I will discuss them with you and/or your staff.

Senator CONRAD. I appreciate that.

Thank you, Mr. Chairman.

Senator LUGAR. Mr. Chairman, I have one question that I would like to insert for Senator Wilson in the record. It was to our current witness, the same question, essentially, raised by Senator Helms to the last witness, the use of dates and apparently an order from Niger, that you might incorporate those, and for the sake of the record I will submit those.

The CHAIRMAN. Without objection, it will be part of the record.

[The questions from Senators Wilson and Helms can be found on pages 103 and 104.]

The CHAIRMAN. I also notice in your statement, Doctor, you made mention of the 1990 farm bill, and there has been some discussion by some that we should just do the 1-year farm bill, and your comment makes me think that you view work on the 1990 farm bill as more than a 1-year effort.

I would hope that you would be ready to work with us on long-term legislation, for more than just a 1-year extension, but to get ready for a 5-year farm bill.

Dr. CROWDER. I will work with you and your staff on that subject.

The CHAIRMAN. And lastly, this is more of a statement than anything else. I notice that the Geneva Mid-Term Review Agreement of GATT has finally reached an end, probably to the great joy of our negotiators who are over there.

I have seen, at least initially, the agriculture provisions—they are somewhat vague. I am disappointed that the trade negotiations seem to be focusing more on price supports and market protections than—in fact, when they began they were talking about export subsidies, which I thought made a lot more sense.

I was a supporter of then Ambassador Yeutter when we started the GATT negotiations, and I have watched the current trade actions very closely. The negotiations have to proceed, and I have been supportive of a lot of the things they have been doing, and I have had a little trouble getting information out of USDA, the FAS, USTR, and so on.

So I think we are going to have to work together on that. I also want to talk to you after you get settled in on some of the things we can do to start reducing those trade distorting subsidies. It is not just the price supports, it is what is done on the trade subsidies, and I think we have still got a way to go on that.

Dr. CROWDER. Thank you.

The CHAIRMAN. Do you have anything else?

Senator LUGAR. No.

The CHAIRMAN. If there is nothing further, I would note that until tomorrow, which would have been the day of these hearings, until the close of business tomorrow, we will keep the record open for Senators who have other questions.

Thank you very much.

[Whereupon, at 3:25 p.m., the committee was adjourned, subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

United States Department of Agriculture

Office of Governmental and Public Affairs

Washington, D.C. 20250

April 14, 1989

MEMORANDUM FOR CHUCK RIEMENSCHNEIDER

FROM: JOHN E. FRYDENLUND

RE: Answers to Questions from April 11 Confirmation Hearing

Attached are the answers from Mr. Parnell and Dr. Crowder to the questions following their confirmation hearing on April 11, 1989.

Questions directed to Mr. Parnell are numbered 1-20 and 55a-58. The last five answers are in response to questions that were asked in the hearing and taken from the transcript.

Questions directed to Dr. Crowder are numbered 21a-54.

Thank you for all your cooperation in this confirmation process.

Let me know if there is anything further I can do to be helpful in that regard.

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QUESTION FROM SENATOR LEAHY 1

QUESTION:

Given your experience with the California milk marketing orders, what do you think would happen if a similar order were extended to the rest of the country?

ANSWER:

The California milk marketing orders are similar in many respects to the Federal milk marketing order system which covers about 70 percent of the milk marketed in the country. Both programs provide for minimum class prices, classification of milk according to use and the pooling of returns to producers. California orders differ in that they include quota plans, use a component pricing system, have higher standards of composition for fluid milk products and a larger processing margin for plants manufacturing butter, cheese and nonfat dry milk.

The California milk marketing order system works well in California, where it was developed to meet the particular needs of the California milk industry and consumers. Whether it would have the same results nationwide is a question that requires much study. I am not prepared to predict what nationwide consequences would ensue, or even to recommend that extension of the unique California system should be considered for the country as a whole.

QUESTION FROM SENATOR LEAHY 2

QUESTION:

In his campaign, President Bush said that he would use the "White House Effect" to do something about the greenhouse effect. What will the Department do, beyond action taken under President Reagan's administration, to approach the problem of global warming?

ANSWER:

The Department has focused a great deal of research attention on global climate change, with heavy emphasis on the potential effects of global warming on U.S. agriculture. The Department is also an active participant in the Federal Coordinating Council for Science, Engineering and Technology's Committee on Earth Sciences which is coordinating the overall Federal program on global climate change. Concerns about the effect of climate change on agriculture are not new to USDA. The potential exists for climate change to impose significant adverse effects on agricultural production. To address this issue, the Department has taken steps to predict and assess impacts of the greenhouse effect and other potential climate threats. USDA is moving rapidly into the use of computer models which allow us to simulate the effect of future climate scenarios on the agricultural system. USDA is also closely monitoring the reports of the carefully documented increases in levels of carbon dioxide, methane, nitrous oxide, chloroflurocarbons and other trace greenhouse gases in the environment. All of these gases can, in theory, contribute to the warming of our atmosphere. The Department's research program for global climate change has two basic parts: 1) dealing with the impact that changing climate could have on the stability and productivity of our natural resources and agricultural ecosystems; and 2) developing strategies to reduce climate change by managing natural resources and agricultural ecosystems to sequester carbon dioxide and reduce the emissions of other greenhouse gases. As the lead food agency, USDA's primary responsibility is with the first of these, but there are significant opportunities for USDA to make a difference in the second -- particularly in the management of our forests and agricultural crop production. We will carry out these responsibilities in the months and years ahead.

QUESTION FROM SENATOR LEAHY #3

QUESTION:

Budget Related Issues: In your capacity as coordinator for the Department on budget negotiations, you will face several difficult decisions. These decisions will require careful analysis of all options presented. Hopefully this analysis will extend beyond strictly budget concerns and will focus on the effects of the proposals on farm income as well. President Bush, in his budget submission for fiscal year 1990, indicated his proposal to reduce spending on commodity programs by $1.1 billion. Two options were discussed, reducing target prices and shifting to a payment acreage approach.

Analysis by staff indicates that a 5% reduction in target prices is not sufficient to achieve the suggeted savings level for fiscal year 1990. What level of target price reduction and other commodity program cuts are you recommending in order to achieve the $1.1 billion savings level using the target price option? What will be the level of savings in fiscal year 1991 under this option?

The second option discussed by President Bush of moving to providing program benefits on less than the permitted acreage also has the goal of reducing spending. Some analysis suggests that providing payments on 80% of eligible base would save less than $1.1 billion in fiscal year 1990. What level of reduction in payment base does Departmental analysis suggest would be necessary to achieve the savings target? What will be the level of savings in fiscal year 1991 under this option?

Both options would have an effect on farm income. The savings in Government spending will obviously come from payments producers would have otherwise received. What are your estimates of farm income under the two options? Does one provide a greater savings to the Government for a loss in farm income levels than the other? What are the longer term impacts on net farm income under both options?

ANSWER:

A 5% reduction in target prices below the levels assumed by USDA in its baseline is estimated to save approximately $800 to $900 million in fiscal year 1990. Additional savings to bring the total up to $1.1 billion could be achieved by reducing the Targeted Export Assistance program, with savings from a small assessment on milk and with small administrative fee increases for the short-term export credit guarantee program and CCC price support loans. A reduction in the target prices for the 1990 crop alone may generate similar or slightly larger savings in fiscal year 1991 than it would in fiscal year 1990.

A 15% reduction in acreage eligible for payments would result in fiscal year 1990 savings comparable to those from a 5% target price reduction. The fiscal year 1991 savings from a reduction in 1990 crop payment acreage may be slightly less than the fiscal year 1990 level. This option could be supplemented with some additional steps similar to those described for the target price reduction option.

The short-term impact on farm income is likely to be similar under both options. However, income under the payment acreage reduction options would depend on what crops are grown on the nonpayment acreage and market conditions for those crops. The payment acreage approach could provide the potential for income gains especially in the longer term, as crop production on the nonpayment acres responds to market needs. A target price reduction, on the other hand, does not provide the opportunities for additional income provided by a payment acreage reduction plan which allowed some planting flexibility on nonpayment acres.

QUESTION FROM SENATOR LUGAR 4

QUESTION:

As you know, the Conservation Reserve Program has a goal of retiring 40-45 million acres of highly erodible land. Some believe that it will be difficult to reach that goal without broadening the eligibility criteria. USDA has already done so by including the CRP filter strips, scourland and some wetlands. Earlier this year, Senator Leahy and I wrote the Department to suggest that the CRP could also be used to enhance our environment. If we, in fact, find it difficult to reach our goal of 40-45 million acres under the current criteria, would you support broadening eligibility to include environment concerns?

ANSWER:

Although the objectives of the CRP are multifaceted, we do not see the CRP as the primary instrument to address environmental concerns. Other provisions of the Food Security Act, such as wetland conservation and conservation easements, are tools that could be used to address a broad array of environmental concerns. We see these features as complimentary in approach. Further analysis of the effectiveness of these and other alternatives should take precedence over immediate expansion of the CRP eligibility criteria.

QUESTION FROM SENATOR LUGAR 5

QUESTION:

The Conservation Reserve Program has a goal of planting one-eight of total acres in trees. Thus far, tree plantings are far below this goal. Moreover, much of the tree planting that has occurred has been regionally concentrated and limited to softwoods. Would you support additional incentives to encourage hardwood tree planting in areas that have not enjoyed great success in tree planting thus far?

ANSWER:

Producers with farms which are eligible for the CRP and which are located in prime tree growing areas often find that softwood 'plantation-tree' crops are an attractive conservation cover because of the potential economic return. While the Department encourages voluntary tree planting on acreage enrolled in the CRP, the use of additional incentives to encourage the planting of hardwoods on CRP acreage is not recommended. In many of the central and northern States that are suitable for such tree cover, the estimated time required to grow common hardwood species is frequently 60-90 years. From a CRP participant's perspective, this would, in effect, permanently retire the cropland. While long-term land retirement of this kind may provide enhanced environmental benefits as well as commodity production adjustment, the cost of incentives that would be needed to achieve significant volumes of these hardwood plantings would likely be prohibitive.

QUESTION FROM SENATOR GORTON 6

QUESTION:

Do you plan to continue utilizing the Export Enhancement Program? If so, what will be your stance on administering the program?

ANSWER:

USDA intends to persist in using EEP to compete effectively with subsidized EC exports. This is essential, both to enhance our MTN bargaining power and to maintain the U.S. position in world trade against inroads from subsidized competition.

QUESTION FROM SENATOR GORTON 7

QUESTION:

Several Washington agricultural exports must compete against export subsidies and must overcome technical barriers in overseas markets. The USDA's Targeted Export Program has helped offset the impact of foreign barriers and export subsidies. Is this Administration committed to providing the resources necessary to continue, at current levels or higher, the overseas promotion programs already begun by many commodity groups?

ANSWER:

The level of resources available to this program in previous years has been defined by the Food Security Act of 1985. In FY 1989, the Congress capped the program level at $200 million. Our budget plans for 1990 have assumed that this year the Congress will once again review the TEA program level for FY 1990 in the context of overall agricultural priorities and deficit reduction objectives.

QUESTION FROM SENATOR BAUCUS 8

QUESTION:

Will USDA continue to aggressively use the Export Enhancement Program?

ANSWER:

USDA intends to persist in using EEP to compete effectively with subsidized EC exports. This is essential, both to enhance our MTN bargaining power and to maintain the U.S. position in world trade against inroads from subsidized competition.

QUESTION FROM SENATOR BAUCUS 9

QUESTION:

I am also concerned that the EEP has been used too exclusively to export only winter wheat. Three grains produced in my part of the country--spring wheat, durum, and barley--have gotten less than their fair share. In fact, use of the EEP last year for spring wheat and barley was down by between 50 and 75%. I have even heard disturbing reports that the USDA is encouraging foreign customers to buy winter wheat and no spring wheat. I would like you both to promise that USDA policy regarding exports of spring wheat, durum, and barley will be reviewed, and that you will see to it that spring wheat, durum, and barley are getting a fair shake.

ANSWER:

I believe that most of the concerns about low participation in the EEP by spring wheat, durum and barley have arisen because of last year's drought in our northern states and the fact that resulting prices of those grains on our market, relative to grain from other parts of our country, became higher than usual. We will certainly look at this question; we want these grains that are produced in our northern states to have a full opportunity to benefit from bonuses equal to those being used for grains that are produced elsewhere in this country. The choice of which type of wheat is bought is up to the foreign buyer.

QUESTION FROM SENATOR BAUCUS 10

QUESTION:

Cherry growers in my State are not happy with the way in which the ASCS has calculated the price of sweet cherries for the 1988 disaster payment. The ASCS is using baseline information from production years that were affected by bad weather conditions and thus yield was down. Why was this basis used for determining the amount of disaster relief?

ANSWER:

The Disaster Assistance Act of 1988 (the 1988 Act) required the establishment of basic payment rates as the simple average price received by producers of the commodity during the marketing years for the immediately preceding five crops of the commodity, excluding the year in which the average price was the highest and the year in which the average price was the lowest. The 1988 Act also required the establishment of disaster program farm yields for nonprogram crops, to be used in those cases where a producer could not provide satisfactory evidence of actual production for any of the three preceding crop years.

The Commodity Credit Corporation (CCC) established county average disaster farm yields for nonprogram crops based on NASS data by averaging the average yields for the immediately five preceding years after dropping the year in which the yield was the highest and the year in which the yield was the lowest. The county established yield is substituted for any year for which the producer cannot provide satisfactory evidence. Therefore any producer that is dissatisfied with the county yield has the opportunity to provide production evidence for the establishment of a proven yield. Producers unable to provide production evidence for any of the immediately preceding three years received the county established yield. There is no statutory authority to use years other than the preceding 3 for proving yields.

CCC payment rates for purposes of administering the 1988 Act are established by the State ASC committees. With respect to nonprogram crops, the basic payment rate is the average of the 5 immediately preceding years' market prices, excluding the highest and the lowest years' prices, used by FmHA to make eligibility determinations with regard to emergency loans. FmHA determines these rates on the basis of actual prices received by farmers at marketing points throughout the State, as obtained by the NASS and by Extension Service specialists.

QUESTION FROM SENATOR CONRAD #11

QUESTION:
What should be the objectives of U.S. farm programs? To preserve the family farm? To raise farm income? To cut government budget expenditures on agriculture? To retain and expand export markets for farm products? Does the 1985 farm bill meet the objectives you see and if not, what kinds of changes would you look at for a 1990 farm bill?

ANSWER:
Farm programs must provide a safety-net to U.S. farmers to help stabilize farm incomes. They must be cost-effective, market-oriented, and allow the United States to be fully competitive in world markets. The 1985 Farm Bill has greatly improved competitiveness, provided needed assistance to farmers facing serious financial stress, and implemented a conservation program to protect our nation's land and water resources. However, the 1985 Act has been very expensive for taxpayers, even though costs are now coming down. It has also created distortions in some commodity markets caused both by government-set support levels and by restrictions on plantings.

The 1990 Farm Bill must continue to improve our competitive position in world markets. It must protect farm income but in a more cost efficient manner. The new bill should increase farmers' flexibility so they can better respond to market forces. The bill must also address the growing concerns over health and environmental issues.

QUESTION FROM SENATOR CONRAD 12

QUESTION:

What do you see as the long-term goals of the U.S. in the current round of trade negotiations? What kind of 1990 Farm Bill would be compatible with these goals?

ANSWER:

The long-term goal of the U.S. in these negotiations has been and remains to eliminate the use of trade-distorting practices. The 1985 Food Security Act made progress in making our commodity programs more market oriented. We intend to consult fully with Congress during the preparation of the new Farm Bill and throughout the Uruguay Round negotiating process.

QUESTION FROM SENATOR CONRAD 13

QUESTION:

The agreement just reached at the GATT calls for "substantial progressive reductions" in support to agriculture. What do the EC and the U.S. mean by "substantial"? How would support reductions be shared among commodity programs? Would, for example, dairy, wheat, tobacco, and cotton take equal cuts? If a long term agreement were reached, how would it be monitored and policed?

ANSWER:

The next 20 months of negotiations will focus on making this framework operational. In order to do so, language such as "substantial progressive reductions" will have to be clearly defined, as will a methodology by which reductions in support and protection will be made. Our fundamental objective remains the eventual elimination of all trade-distorting measures. The agreement does not, in any way, preclude this outcome. Any long term agreement will contain provisions for the creation of surveillance mechanisms that would rely on input from all countries.

QUESTION FROM SENATOR CONRAD #14

QUESTION:
Under the 1985 farm bill, would you expect farm income to be raised by lowering U.S. support to agriculture (because of budget cuts or agreements to reduce support reached in the GATT)? What about USDA and other studies that suggest that the world price increases brought about by trade liberalization do not compensate producers for the loss of support from farm programs?

ANSWER:
Lowering U.S. support to agriculture in the absence of any change in trade distorting policies in other exporting and importing countries would reduce farm income. However, if a GATT agreement is reached on reducing trade distorting policies, then we can expect increased market access for U.S. agricultural goods. In addition, lower production subsidies in other countries, such as the EC, would also increase agricultural export potential. Thus, trade liberalization, even if accompanied by lower support to agriculture, may not lead to lower farm income, especially in the long term, as U.S. farmers expand production to meet ever larger export opportunities.

QUESTION FROM SENATOR CONRAD 15

QUESTION:

The agreement just reached in the GATT talks about taking account of the "food security' needs of countries. What does this imply for the Trade negotiations and for the 1990 farm bill? If the desire for food security in the EC and Japan is a prime justification for their policies, hov can their food security goals be met if their support for agriculture is to be reduced?

ANSWER:

The U.S. recognizes the impact of food security needs and we are currently reviewing this issue. The recent agreement will facilitate further discussion on this topic. The recent mid-term agreement simply recognizes that food security is a concern of all countries, importers and exporters. We believe that the quickest route to solving food security needs is to reduce trade barriers and improve the functioning of the market.

QUESTION FROM SENATOR CONRAD 16

QUESTION:

Food security concerns in Europe, Japan, and other countries lead to programs which support domestic agriculture, guarantee production surpluses (food security means having surpluses to carry you through bad harvests), and therefore depress world commodity prices and farm income in the U.S. As we consider the on going GATT negotiations and the 1990 farm bill, how can world food security concerns be met without depressing the income of U.S. farmers? Would an international food reserve scheme be a useful way to address food security needs as a part of a long term agreement in the GATT?

ANSWER:

We are willing to look at many different ideas and are open to suggestions. In allowing countries to address their food security needs, we will seek the solutions that least distort the market.

QUESTION FROM SENATOR HARKIN 17

QUESTION:

I ask questions on the subject of rural water most every opportunity I have because it is such a problem in Iowa and other states. What idea do you have for helping rural areas obtain adequate sources of safe water? Would you be willing to direct a special review of the Department's efforts to help communities that are suffering from serious shortages of water, as are a number of Iowa communities?

ANSWER:

The Department of Agriculture shares your concerns that rural communities and rural residents have water supplies of adequate quantity and quality. I can tell you that the Farmer's Home Administration has a long-standing program to assist rural communities to install water delivery systems through grants and loans. The Soil Conservation Service also offers rural water supply assistance through a Federal cost-share program under Public Law 83-566, Small Watershed Projects. The Extension Service has a numer of programs that provide information to rural residents and community leaders on local issues of water quantity and quality. We plan to make a review of the Department's current programs that provide assistance to rural communities in their efforts to develop and maintain rural water supplies. In addition, for Fiscal Year 1990, the President's budget request proposes an increase of $41.2 million to accelerate USDA research, education, and technical assistance anddatabase development to assist farmers in addressing surface and groundwater quality concerns.

QUESTION FROM SENATOR HARKIN 18

QUESTION:

For the past two years USDA has been provided funding for research into so-called low-input sustainable agriculture practices. While there may be argument about the suitability of these terms, I think there is agreement on what they denote: agricultural practices that will help farmers reduce costs and reduce environmental risks.

What is your view of the future of research under the supervision of USDA on so-called low-input sustainable agriculture?

ANSWER:

The Department's low in-put sustainable agriculture program has attracted a great deal of attention within the research community, and is of great interest to many of the Nation's farmers. Secretary Yeutter has said he believes support for the program is certainly justified, and I agree fully with him on this issue. We will be examining the resources devoted to low input research in the context of our Fiscal Year 1991 budget submission.

QUESTION FROM SENATOR HARKIN #19

QUESTION:

Please describe your views about the role that you would like to see the Department of Agriculture play in rural economic development efforts and your ideas about the types of federal policies and programs that you believe would be desirable to promote rural economic development.

ANSWER:

The broad resource base of the Department of Agriculture places the USDA in the position to lead the federal government's effort to promote rural development. The programs and initiatives of the Department impact the rural economy and the lives of a large percentage of rural Americans. I believe there is a demonstrable need to diversify and revitalize the Nation's rural economy and that is an area which the Department can have great influence. To insure a healthy and productive agricultural economy it is important that the total rural economy catch up and keep pace with the national economy. Federal policies should be established to support State and local rural development efforts. State and local leaders are in the best position to drive their own development agenda. The federal government can and should help in the development of essential infrastructure and natural resources. Financial assistance in the form of loans and grants to communities and business should serve to foster increased private financial involvement by leveraging local dollars to support rural development efforts. It is incumbent on the Department to find better ways to influence rural development with the existing resources and programs, to stretch the resources further and get them to the people and places that need them the most.

QUESTION FROM SENATOR HARKIN 20

QUESTION:

What role will you play at USDA regarding research and promotion of new uses and products from agricultural commodities? Generally, what is your view on the desirable policy and on the allocation of resources at USDA regarding this type of research?

ANSWER:

As Secretary Yeutter has expressed strong support for the Department's research and development program for new uses, I would expect to play a major role in this area. I am quite excited at the prospect of development of new products, particularly as it provides farmers an opportunity to diversify their operations, and to open new markets for our products. I might note that President Bush has also expressed his personal interest in the development of new agricultural products. Given the broad support for this type of research and development effort, we will most certainly take a close look at the need to commit the resources necessary for this program.

QUESTIONS FROM CHAIRMAN LEAHY
AND SENATOR LUGAR 21a

QUESTION:

What is the status of the regulation establishing open competitive bidding for shipping contracts for PL 480 programs? Committee staff was informed that the regulation has been pending since a GAO report on the subject about three years ago.

ANSWER:

These regulations were published in the Federal Register on Monday, April 10 and will become effective for transactions pursuant to Purchase Authorizations issued on or after May 25.

QUESTIONS FROM CHAIRMAN LEAHY
AND SENATOR LUGAR 21b

QUESTION:

What improvements will this regulation make in the bidding system?

ANSWER:

We believe this regulation will establish a competitive bidding process which will, we hope, bring more shippers into the business resulting in possibly lower costs and improved service. It will also remove any potential for conflicts of interests that appeared possible under the negotiated bidding system.

QUESTIONS FROM CHAIRMAN LEAHY
AND SENATOR LUGAR 22a

QUESTION:

Please explain the role of private agents in the PL 480 shipping program?

ANSWER:

Private agents charter vessels on behalf of importing countries, providing shipping expertise that some countries may not possess.

QUESTIONS FROM CHAIRMAN LEAHY
AND SENATOR LUGAR 22b

QUESTION:

What are the fees paid to these agents?

ANSWER:

Freight commissions are 2-1/2 percent of the gross freight costs charged by U.S. flag vessel owners; we understand this percentage is general trade practice. This commission may be shared by the agents and the brokers involved in a transaction.

QUESTIONS FROM CHAIRMAN LEAHY
AND SENATOR LUGAR 22c

QUESTION:

Approximately hov much was paid in agents' fees in FY 1988? What part of this was paid by the U.S. Government?

ANSWER:

The United States Government, either USDA or MARAD, does not pay this commission directly. However, since any commission cost becomes part of the freight costs the U.S. Government pays indirectly to the extent it pays ocean freight differential.

Based on our general assumption that the agents received two-thirds of the 2-1/2 percent commission for the 1988 cargo preference year (April to March), we would estimate agents' fees were about $1 to 1.5 million.

QUESTIONS FROM CHAIRMAN LEAHY
AND SENATOR LUGAR 22d

QUESTION:

We understand that some countries do not use agents for their shipping programs. Is there any evidence that exclusion of agents would result in a savings to the U.S. Government? If not, why not?

ANSWER:

We are not aware of any firm evidence that non-use of agents results in savings, since the standard commission of 2-1/2 percent would still be part of the costs. In this situation, the broker would receive the entire commission.

QUESTIONS FROM CHAIRMAN LEAHY
AND SENATOR LUGAR 23

QUESTION:

Journal of Commerce reports last year said that the chief agent for Food for Peace cargoes shipped to Sudan is under Federal investigation. What is the status of this investigation? Has the Department been asked to provide information in the case?

ANSWER:

This investigation is still being reviewed by the Department of Justice. I think it is not appropriate to comment further at this time on this matter.

QUESTIONS FROM CHAIRMAN LEAHY
AND SENATOR LUGAR 24

QUESTION:

According to the same publication, substitution of ships and consolidation of cargoes is very common in food aid programs. These practices reportedly result in substantial savings for the vessel operators over their original bid estimates. Does the U.S. Government benefit from these savings?

ANSWER:

In the PL 480 Title I area, substitution of vessels is somewhat common. This practice does not result in savings. While consolidation of cargoes is not common in the Title I program, when such does occur, the U.S. Government would benefit from savings.

QUESTIONS FROM CHAIRMAN LEAHY
AND SENATOR LUGAR 25

QUESTION:

Does the Department see the need for any additional changes in the operation of the transportation program for PL 480 commodities? If so, could the Department describe the changes and advise the Committee if they would require new legislation.

ANSWER:

In view of the fact that we are just undertaking a major change in our transportation operational procedures, I think we need to see the results before considering other changes. Therefore, at this time I am not aware of any new legislation that would be useful; should we see the need for any such legislation, I will consult with the Committee.

QUESTION FROM SENATOR LEAHY #26

QUESTION:
Program Administration. In your appearance before the Committee you indicated that it is difficult to manage programs in such a way that stocks can be kept from being a burden on the market. The 1985 Farm Bill provides discretionary authority to the Secretary for using acreage reductions and paid diversion programs to attempt to balance production with demand. Given the path of stock buildup since 1983, what recommendations would you have provided to the Secretary of Agriculture for the 184-1988 crop years for wheat and feed grains?

ANSWER:
The intent of my answer during my appearance before the Committee was that because of variable weather and other factors it is almost impossible to manage stocks to a given level from year-to-year. The large stocks in the 1980's have been more the result of reduced competitiveness and lost markets than misuse of acreage reduction programs. The lower loan rates and increased export assistance provided by the 1985 Farm Bill increased the competitiveness of U.S. farm products. Since the passage of the 1985 Act, increased farm marketings resulting from being more competitive combined with acreage reduction programs have reduced the huge grain surpluses that overhung the market in 1985. Given the current levels of stocks, it appears acreage reduction programs have been managed well under the 1985 Act. Being competitive and expanding markets are the keys to reducing acreage reduction programs while avoiding large surpluses.

QUESTION FROM SENATOR LEAHY 27

QUESTION:

A dairy industry task force, assembled at the request of Secretary Lyng, provided a series of cogent recommendations on dairy Export Enhancement Program opportunities nearly a year ago. At the time, I supported their recommendations but to date, ve have not received a response from the Department. What will be your policy toward implementing the task forces recommendations?

ANSWER:

The dairy industry task force convened by Secretary Lyng in May 1988 recommended pre-announced bonus levels of $300-900 per head for dairy cattle to targeted markets under the Export Enhancement Program (EEP). In response to this recommendation and drought conditions impacting on U.S agriculture last summer, the Department last July authorized two new dairy cattle EEP initiatives to Turkey and Morocco with pre-announced bonuses of $600 per head. Under these initiatives, 5,000 head were sold to Turkey but no sales were made to Morocco, with this last program expiring December 31, 1988.

Our primary concern with EEP initiatives for dairy cattle continues to be cost. The average bonus awarded for EEP dairy cattle was $1,330 per head, more than 100 percent of the average sales price per animal. Even with the lower pre-announced bonuses, EEP dairy cattle initiatives would still be the most expensive of the EEP initiatives. Given budgetary constraints, resources must be used in the most effective manner to assist the export of U.S. agricultural commodities. Even if new dairy cattle EEP initiatives are considered, there would be a joint effort to further reduce bonuses for dairy cattle.

QUESTION FROM SENATOR LUGAR #28

QUESTION:
I hear from farmers that they would like greater flexibility to respond to market forces without facing the loss of future abilities to participate in farm programs. They point to the soybean and oat situation as evidence that farm programs are too restricitive.

Farmers interested in low-input and sustainable farming systems also tell me that current farm programs prevent them from adopting alternative agricultural production systems.

Do you foresee any movement toward greater flexibility and do you think such a move is positive?

ANSWER:
I believe there is growing support for greater flexibility. That is positive, and I support it. Markets change rapidly, and farmers must be able to adapt quickly to these changing conditions or marketing opportunities will be lost. Government programs must impose restrictions, but our goal must be to minimize the rigidities. Greater flexibility has been recognized in past legislation as desirable. Current law provides for the implementation of the 0/92 and 50/92 programs, allows the planting of some nonprogram crops on program base acres, and gives the Secretary authority to permit some adjustment among program crop base acreages. The recent disaster legislation increased flexibility for producers desiring to plant soybeans and oats. More needs to be done. However, increasing flexibility can have unforseen repercussions, such as higher program costs or impacts on related markets. The tradeoffs must be carefully assessed to ensure they are acceptable before any flexibility alternative is adopted.

QUESTION FROM SENATOR LUGAR 29

QUESTION:

Many people in the grain trade say that EEP is no longer needed. They say that the world wheat market is so robust and stocks so lov that purchasers will buy virtually the same quantity without export subsidies.

On the other hand, knowledgeable people argue that EEP is the driving force behind high wheat demand. They say that without EEP world prices would fall due to lower demand.

What is your viev as to the appropriate use of EEP and could we get to a point this year when EEP will not be needed?

ANSWER:

Neither the supply nor the demand is fixed and the overseas market will not take the same quantity of U.S. wheat regardless of what we do. The EEP is helping us to match European competition and to maintain pressure toward a solution of the subsidy problem in the GATT. We need that pressure whether world stocks are high or lov.

USDA intends to persist in using EEP to compete effectively with subsidized EC exports. This is essential, both to enhance our MTN bargaining power and to maintain the U.S. position in world trade against inroads from subsidized competition.

QUESTION FROM SENATOR GORTON 30.

QUESTION:

Do you plan to continue utilizing the Export Enhancement Program? If so, what will be your stance on administering the program?

ANSWER:

USDA intends to persist in using EEP to compete effectively with subsidized EC exports. This is essential, both to enhance our MTN bargaining power and to maintain the U.S. position in world trade against inroads from subsidized competition.

QUESTION FROM SENATOR GORTON 31

QUESTION:

Several Washington agricultural exports must compete against export subsidies and must overcome technical barriers in overseas markets. The USDA's Targeted Export Program has helped offset the impact of foreign barriers and export subsidies. Is this Administration committed to providing the resources necessary to continue, at current levels or higher, the overseas promotion programs already begun by many commodity groups?

ANSWER:

The level of resources available to this program in previous years has been defined by the Food Security Act of 1985. In FY 1989, the Congress capped the program level at $200 million. Our budget plans for 1990 have assumed that this year the Congress will once again review the TEA program level for FY 1990 in the context of overall agricultural priorities and deficit reduction objectives.

QUESTION FROM SENATOR HARKIN 32

QUESTION:

Farmers have asked me why they are unable to obtain grain from CCC inventory, such as through commodity certificate redemptions, in lot sizes suitable for livestock feeding operations. Why is this so? What would your position be on possibly changing this policy to enable farmers to obtain CCC inventory grain?

ANSWER:

CCC makes its inventory available for certificate exchange through the issuance of catalogs listing lots of various sizes from very small to very large. Any certificate holder can exchange certificates for grain from the catalog by calling the Kansas City Commodity Office, Bulk Grain Merchandising Division. Cataloged grain is priced at the market price at the location on the day of the exchange.

The pattern that developed is that most exchanges are made by the country elevator that is storing the grain for CCC who, in turn, then markets the grain, in many cases, to local livestock feeders. We believe this pattern developed because it is the market-oriented way, that is the way in which grain is normally bought and sold at the country elevator level. CCC does not, however, discourage livestock feeders from exchanging certificates directly with CCC for grain listed on the catalogs, and taking possession in the country elevator. In that case, the local livestock feeder would pay handling and storage charges to the elevator. Livestock feeders, for the most part, are not accustomed to operating in this manner and find it more convenient to work with their local country elevator.

QUESTION FROM SENATOR HARKIN 33

QUESTION:

In view of the recent agreement in the GATT negotiations, what are the views on the strategy that the U.S. should follow in employing the tools (such as the Export Enhancement Program and the Targeted Export Assistance Program) it has available to counter the subsidies of other countries?

ANSWER:

The Targeted Export Assistance Program (TEA) and the Export Enhancement Program (EEP) have helped us to regain some of the markets lost to subsidized competition from the European Community. These programs have also helped increase our negotiating leverage over the EC. We have no intention of making program changes which would reduce this leverage.

QUESTION FOR SENATOR HARKIN 34

QUESTION:

What are your views on the policies that the U.S. should pursue in response to the marked decline in the U.S. share of the world oilseeds market?

ANSWER:

The solution to the problem of lost U.S. market share in the world oilseeds market has several parts. First, our domestic farm program must be more flexible. Farmers should have the ability to respond rapidly to changing world market conditions. The option to plant additional acres of soybeans and sunflowerseed on permitted acreage for program crops is one example of the flexibility that is needed. Second, we need to pursue aggressively trade policy initiatives to ensure that our oilseed producers are not disadvantaged in world markets. Third, we will consider additional Export Enhancement Program initiatives for oilseeds which would help to regain markets that were lost to unfair trade practices by our competitors.

QUESTION FROM SENATOR HARKIN 35

QUESTION:

Would you agree to undertake a review of the complexity and volume of paperwork involved in USDA farm programs to see whether some of the paperwork can be simplified and reduced in volume?

ANSWER:

I would agree to a review of the complexity and volume of paperwork involved in USDA farm programs.

An increase in the volume of paperwork was brought about by the Food Security Act of 1985, as amended by the Omnibus Budget Reconciliation Act of 1987 (the 1987 Act). The 1987 Act specified that certain requirements must be met by participants in the annual production adjustment programs and Conservation Reserve Program in order for such participants to be eligible to receive certain program payments. One requirement is that each "person" must be "actively engaged in farming."

Based on the above requirements, several forms were created to collect the information needed by county Agricultural Stabilization and Conservation committees to determine whether a producer is "actively engaged in farming" and a separate "person" from any other individual or entity. In order to receive such benefits, each eligible producer must complete the prescribed form(s). Completion of the form is voluntary; however, without it, no payment may be made.

Recognizing the volume of paperwork that has been required for 1989 it has been determined that for 1990 and subsequent years, individuals or entities will only be required to submit additional documentation if the individual's or entity's farming operation has changed from the previous year.

QUESTION FROM SENATOR HARKIN 36

QUESTION:

What involvement will you have in working to protect U.S. pork producers from subsidized imports of Canadian pork? What is your view on the policies that the U.S. should undertake to deal with this problem?

ANSWER:

The United States has extensive and effective laws on countervailing duties to counter injurious effects of subsidized imports into this country. As you are aware the industry group concerned here has availed itself successfully of these procedures and obtained a countervailing duty on live swine in 1985, and has again petitioned the Department of Commerce and the International Trade Commission (ITC) alleging that subsidized imports of pork meat are also injurious to the U.S. industry. The petition was submitted on January 5 of this year. The ITC has made a preliminary determination of injury. The Commerce Department will make its preliminary determination of whether subsidization occurs by May 1. If it is affirmative then imports will be subject to a preliminary countervailing duty. Final determinations on this issue will be made no later than early October.

From the standpoint of both U.S. law and the rules of international trade, the countervailing duty process is the fair and appropriate way to proceed on such an issue. It is well institutionalized in the U.S. and affords industries a proper hearing and relief. In the longer term, of course, we hope that the final agreement arising out of the Uruguay Round of Multilateral Trade Negotiations will lead to the elimination of subsidy practices.

QUESTION FROM SENATOR BAUCUS 37

QUESTION:

Will USDA continue to aggressively use the Export Enhancement Program?

ANSWER:

USDA intends to persist in using EEP to compete effectively with subsidized EC exports. This is essential, both to enhance our MTN bargaining power and to maintain the U.S. position in world trade against inroads from subsidized competition.

QUESTION FROM SENATOR BAUCUS 38

QUESTION:

I am also concerned that the EEP has been too exclusively to export only winter wheat. Three grains produced in my part of the country--spring wheat, durum, and barley--have gotten less than their fair share. In fact, use of the EEP last year for spring wheat and barley was down by between 50 and 75%. I have even heard disturbing reports that the USDA is encouraging foreign customers to buy winter wheat and no spring wheat. I would like you both to promise that USDA policy regarding exports of spring wheat, durum, and barley will be reviewed, and that you will see to it that spring wheat, durum, and barley are getting a fair shake.

ANSWER:

I believe that most of the concerns about low participation in the EEP by spring wheat, durum and barley have arisen because of last year's drought in our northern states and the fact that resulting prices of those grains on our market, relative to grain from other parts of our country, became higher than usual. We will certainly look at this question; we want these grains that are produced in our northern states to have a full opportunity to benefit from bonuses equal to those being used for grains that are produced elsewhere in this country. The choice of which type of wheat is bought is up to the foreign buyer.

QUESTION FROM SENATOR BAUCUS 39

QUESTION:

Cherry growers in my State are not happy with the way in which the ASCS has calculated the price of sweet cherries for the 1988 disaster payment. The ASCS is using baseline information from production years that were affected by bad weather conditions and thus yield was down. Why was this basis used for determining the amount of disaster relief?

ANSWER:

The Disaster Assistance Act of 1988 (the 1988 Act) required the establishment of basic payment rates as the simple average price received by producers of the commodity during the marketing years fort the immediately preceding five crops of the commodity, excluding the year in which the average price was the highest and the year in which the average price was the lowest. The 1988 Act also required the establishment of disaster program farm yields for nonprogram crops, to be used in those cases where a producer could not provide satisfactory evidence of actual production for any of the three preceding crop years.

The Commodity Credit Corporation (CCC) established county average disaster farm yields for nonprogram crops based on NASS data by averaging the average yields for the immediately five preceding years after dropping the year in which the yield was the highest and the year in which the yield was the lowest. The county established yield is substituted for any year for which the producer cannot provide satisfactory evidence. Therefore any producer that is dissatisfied with the county yield has the opportunity to provide production evidence for the establishment of a proven yield. Producers unable to provide production evidence for any of the immediately preceding three years received the county established yield. There is no statutory authority to use years other than the preceding 3 for proving yields.

CCC payment rates for purposes of administering the 1988 Act are established by the State ASC committees. With respect to nonprogram crops, the basic payment rate is the average of the 5 immediately preceding years' market prices, excluding the highest and the lowest years' prices, used by FmHA to make eligibility determinations with regard to emergency loans. FmHA determines these rates on the basis of actual prices received by farmers at marketing points throughout the State, as obtained by the NASS and by Extension Service specialists.

QUESTION FROM SENATOR WILSON 40

QUESTION:

As you may be avare, one of the specialty crops grown in California is dates. The California date industry produces nearly all the dates grown in the United States. As officials in the Foreign Agricultural Service are aware, there is a huge surplus of dates that has been depressing the market price for the past three years. As a result of this great surplus of dates, last summer Secretary Lyng certified that dates were an eligible commodity to be sent overseas under the various food aid programs under Public Law 480.

Nov that it is legally possible for surplus dates to be used in these food aid programs, we are very anxious to have dates actually sent overseas. A nation in Africa that is friendly to us, the Republic of Niger, has requested 3,000 tons of our surplus dates. We are sure that the dates could be put to good use in Niger because they are a well-established part of the diet of that country.

Furthermore, while dates are grown in Niger, the local demand is such that dates are imported every year from other countries to satisfy the demand. Thus our shipment would not disrupt Niger's own date industry.

Niger has made its request under the Food for Progress program, so that our surplus dates would be sold in Niger and the proceeds devoted to agricultural reform. Niger has already taken many promising steps to reform its agriculture along free-market lines.

Mr. Crowder, will you be willing to expedite the necessary approval of this request by the Foreign Agricultural Service and recommend to the Agency for International Development, which is USDA's partner in directing the Food for Progress program, that AID approve it as well?

ANSWER:

Senator Wilson, I will be glad to inquire of the Foreign Agricultural Service the status of any request for dates under the Public Law 480 program. Since one of my tasks as Under Secretary will be chairing the interagency Food Aid Subcommittee, I will take a keen interest in the various demands on the Public Law 480 program as well as what funds are left to meet these demands. I will certainly consider any request for dates and discuss it with the other members of the Food Aid Subcommittee.

QUESTION FROM SENATOR HELMS 41

QUESTION:

I understand that there have only been three Food for Progress agreements so far. One of the problems seems to be a shortage of commodities in CCC stocks.

As my friend from California pointed out, there is a surplus of dates in that state. Couldn't a commodity like dates, which are eligible under the PL-480 program, be used in the Food for Progress program?

ANSWER:

Yes, Senator Helms the language of the Food for Progress Act includes the use of commodities determined available for export under Public Law 480. This fiscal year the PL-480 commodity availability determination does include dates. While the first Food for Progress proposals were based on the use of CCC stocks made available through Section 416(b), we are now working on developing a Food for Progress program which would use PL-480 Title I funds and PL-480 commodity availability. This would, of course, provide a wider array of commodities to support these developmental programs.

As you know, the Food for Progress Act authorizes the use of both Section 416(b) commodities, which are made available from excess CCC stocks, and PL-480 Title I funds to carry out Food for Progress.

QUESTION FROM SENATOR COCHRAN 42

QUESTION:

I understand that the EC Task Force negotiators are in town negotiating with our USDA-USTR team about the EC hormone ban. Could you bring us up-to-date on the status of these discussions?

Many of us are convinced the EC ban is a thinly disguised trade barrier, masquerading as an EC health concern. A number of scientific panels have already debunked the idea that there are any problems with these hormones and, knowing that, the EC refuses to let a GATT scientific panel decide the case.

Should the EC get away with this, I am convinced other American industries will come in for the same treatment. Additionally, other countries will see what the EC got away with and will take us down the same road again.

Can you assure us that our side will indeed "hang tough" on this and insist on the principle that we won't allow other countries to get away with erecting trade barriers for spurious health reasons?

ANSWER:

The U.S.-EC Task Force created in mid-February 1989, to further explore this difficult matter, completed its third meeting on April 11, 1989. At this time, the Task Force does not have final results to report, although I understand that work is progressing. You may recall that it is the mandate of the Task Force to find solutions which are consistent with EC law and U.S. production practices. That is a very difficult task since EC law forbids the use of hormones, except for therapeutic purposes, and U.S. production methods include use of hormones, except for certain specialty producers. I understand that discussions have focussed on systems whereby EC officials might enter into direct arrangements with those U.S. producers who agree to meet their market specifications.

I can assure you that the U.S. side will maintain its vigorous commitment to the important principle involved---that public health regulations must be founded on science. The EC side has been pressing for reduction in the retaliation measures, but the U.S. has and will continue to remain firm on that issue. I believe that the continued existence of the retaliation is a clear signal to all countries that the US will act decisively when countries use public health regulations as trade barriers.

Question from Senator Kohl 43a

QUESTION:

Can you tell me what steps you plan to take to help alleviate the current hay shortage in the upper Midwest?

ANSWER:

The greatest potential source of additional hay supplies is hay production on the lands set aside under the annual commodity programs, in other words, the Acreage Conservation Reserve and Conserving Use for payment acres. In keeping with requirements of the Agricultural Act of 1949, as amended, a determination has been made for the State of Wisconsin that haying of these acreages should be permitted for seven months of the year, excluding only a 5 consecutive month period as designated by the Wisconsin State Agricultural Stabilization and Conservation Committee. This approval was announced on March 17, early enough to allow Wisconsin farmers to plan their 1989 operations so as to make maximum use of these acreages to increase hay supplies. The statute already permits grazing of the acreages except during the restricted period.

In addition, the procedures for counties to request emergency haying and grazing of the set aside acres during the 5-month restricted period are being issued now, so that if there are any adverse conditions affecting current year hay and forage crops, action can be taken promptly to provide relief.

Question from Senator Kohl 43b

QUESTION:

Currently, county committees can petition ASCS to allow hay production on set-aside acres in the five month principal growing season, if they can show a 40% loss of pasture or hay. Would you support amending this policy to allow haying on set-aside acreage in the five month principal growing season, if a county committee can show that a substantial hay shortage exists in the county?

ANSWER:

The Agricultural Act of 1949, as amended, prohibits unlimited haying and grazing unless a natural disaster has occurred. Accordingly, Congressional action is necessary to allow haying of land designated as Acreage Conservation Reserve and Conserving Use for payment acreage, based upon a determination of a shortage of hay in the county, if there is no current year natural disaster causing the shortage.

Question from Senator Kohl 43c

QUESTION:

Do you believe that USDA has the statutory authority to implement such a change in policy regarding haying on set-aside acreage?

ANSWER:

No. As I indicated in response to your previous question, the statute clearly does not authorize this action. Unlimited haying and grazing can only be authorized if there is a natural disaster affecting production in the crop year for which the set-aside acreages are designated.

QUESTION FROM SENATOR CONRAD #44

QUESTION:
Do you believe supply management of U.S. and world agriculture is necessary over the long term? Under current programs, the U.S. has idled almost a quarter of its productive land under set-asides and the conservation reserve. Under the 1985 farm bill, if the U.S. had not idled land, program costs would have been much larger than they are today. What have other producers like the EEC, Japan, Canada, Australia, and Argentina done to cut back production? Is it fair to the American farmer, rural America, and industries that depend on farm production, that the U.S. maintains the world "land reserves" as well as the lion's share of world grain stocks? How would you design a 1990 farm bill to avoid this unfair burden on rural America?

ANSWER:
The 1990 farm bill will likely continue to provide for acreage reduction programs to limit surpluses. However, it is unlikely the amount of acreage idled will be as large as in recent years. To date, other nations have implemented few programs to control global surpluses. However, if a successful GATT negotiation can be achieved, it will be the responsibility of all nations to reduce costly programs that manage supplies or encourage surplus production. The results of freer trade and reduced subsidies will be a more efficient U.S. and world agriculture. Countries with a competitive advantage, such as the United States, benefit as well as consumers worldwide. Thus, successful GATT negotiations will work to increase world demand for agricultural products while reducing surplus production in inefficient countries who heavily subsidize. Successful GATT negotiations will mean that the United States will no longer be the unilateral adjuster of world agricultural production in order to reduce its budget outlays.

QUESTION FROM SENATOR CONRAD #45

QUESTION:
The value of the dollar in foreign markets has swung enormously since exchange rates went to a floating system in the early 70's. When the dollar was high, our agricultural export competitiveness, and consequently our farmers' incomes, suffered enormously and we needed the EEP to regain our export markets. There is no reason to believe that the dollar exchange rate will be any more stable in the future than in the past. If we cap or reduce our support to agriculture in the GATT, including export subsidy programs to offset a highly valued dollar, how are we going to protect farm incomes during strong dollar periods in the future?

ANSWER:
Successful GATT negotiations will mean that all countries will have to reduce export subsidies and unfair trade practices. The purpose of the EEP is to help the United States counter the subsidies and other unfair trade practices of other countries. If all countries reduce export subsidies and unfair trade practices, there will be less need for the EEP in the United States. Also, there is promise that exchange rates will be more stable in the future as major countries form closer economic ties, such as under the Group of Seven. Exchange rate volatility will also be lessened if we can stay on the path of steadily reducing and ultimately eliminating the Federal budget deficit.

Question from Senator Conrad #46

QUESTION:

Canadian provinces have high subsidies to livestock. Tripartite agreements among the Federal government, provincial governments, and producers subsidize a variety of Canadian agricultural products including dry beans. All of these subsidies, which pose a potential threat to American producers, still exist in spite of the U.S.-Canadian free trade agreement. What is going to be done to level the agricultural playing field between Canada and the U.S.? Under the U.S.-Canada free trade agreement, negotiations are supposed to take place to "discipline" Canadian agricultural subsidies. What is the status of these negotiations?

ANSWER:

Both the United States and Canada have extensive domestic support programs. Subsidization is truly a worldwide problem and must be dealt with as such in order to prevent bilateral subsidy discipline from resulting in the loss of market share to highly subsidized third countries such as the European Community. Therefore, both the United States and Canada agreed to deal with trade distorting agricultural subsidies in the Uruguay Round. However, in the FTA both countries did agree to form a working group to develop a system of rules governing unfair pricing and government subsidization in both countries. The working group on subsidies and dumping was formally established at the first FTA Binational Commission meeting on March 13, 1989. Preliminary technical level talks are expected to occur within the next month.

Each country did retain the right to use its respective countervailing and anti-dumping laws. Therefore private industries may utilize these laws to address subsidized imports. If the commodities for which tripartite schemes are put in place also are marketed through public or government entities, the FTA would prevent the sale of the products at below cost into the United States.

QUESTION FROM SENATOR CONRAD 47

QUESTION:

Currently, Section 22 is one of the main safeguards for producers when imports threatened existing farm programs. Is Section 22 going to be given up in the current trade negotiations or compromised as it was in the U.S.-Canada free trade agreement? The agreement just reached in GATT calls for a substantial reduction is support but not a complete elimination of support. How is the U.S. producer to be protected from the foreign agricultural subsidies that will remain in place?

ANSWER:

First, we do not believe that Section 22 was in any way compromised in the U.S. - Canadian Free Trade Agreement. The United States has maintained from the beginning of the Uruguay Round negotiations that we are willing to put all of our programs and policies on the negotiating table, but that we expect no less from our trading partners. We believe that if the Uruguay Round of trade negotiations is going to achieve significant liberalization of world agricultural trade, the negotiations must focus on the most efficient way of reducing government interference in the marketplace, because the actions of any government necessarily affect traders in other countries.

QUESTION FROM SENATOR CONRAD 48

QUESTION:

Where do you see the future growth for U.S. agricultural exports? What kinds of programs are needed to insure that American farmers benefit from that growth? What is the cost effectiveness of current export promotion programs and how can such programs be justified in the future, given the GATT negotiations and pressure to cut the U.S. budget deficit?

ANSWER:

Future growth in U.S. agricultural exports is dependent upon the reduction and elimination of trade distorting subsidies as well as economic growth which will be fostered by the reduction and elimination of the subsidies. The understandings reached in Geneva in early April give us reason for optimism that progress can be made towards liberalized agricultural trade. Current export promotion programs like the EEP program indicate our resolve to maintain our position in key world markets which we seek a reduction in trade-distorting subsidies. Market development programs assist producer organizations in their efforts to build export markets and improve our trade balance.

QUESTION FROM SENATOR CONRAD #49

QUESTION:
The 1985 farm bill can be viewed as an entitlement program which guarantees a certain target price to producers in return for an implicit "tax" of setting aside land to control supply. Entitlements, as we all know, lead to budget busting payments when world prices drop. This leads to increased producer "taxes" in terms of set-asides. How can producer income be stabilized in a new farm program while at the same time stabilizing government farm program costs? Would a two price system for wheat (a fixed domestic price and market responsive export price), for example, accomplish the goals of raising farm income, lowering government budget costs, and retaining foreign markets?

ANSWER:
Farm programs have many objectives. One objective often articulated is to stabilize farm income. However, there are many private sector institutions and mechanisms available to farmers to reduce price and income risk. They include, for example, forward contracting, the futures market, and options to name a few. Stabilizing farm prices and incomes could bring about instability in government program costs. A new farm bill must recognize the role of existing institutions and the need to reduce government costs.

A two price system will not work. Under a two price system, the price of wheat sold domestically would be set administratively above market clearing levels. Domestic food processors would be forced to purchase high priced domestic wheat while foreign food processors would be able to purchase lower priced U.S. wheat on the world market. Thus, domestic food processors would be uncompetitive in world markets. In addition, domestic food processors would be forced to compete with lower priced imports of wheat-containing food products. A two price system would raise retail food prices and be severely detrimental to low income households. Lastly, a two price system is inconsistent with the goals of eliminating trade distorting subsidies.

QUESTION FROM SENATOR CONRAD #50

QUESTION:
Do you think there is a long term need to stabilize and support farm income? If so, what is the most efficient way of doing so? What are your views of "decoupled" farm programs as an alternative way of supporting farm income? Why wouldn't "decoupled" programs be viewed as unnecessary welfare payments by urban Americans and eventually be cut out of budgets entirely?

ANSWER:
The long term need for government support will be determined by global farm policy developments. Unstable and shrinking markets, due in large part to the excessive subsidies and closed markets in other countries, have adversely affected U.S. farmers. Separating farm program payments from production and marketing decisions, or "decoupling," makes sense as an alternative way of supporting farm income. Experience has demonstrated that when payments are tied to production, market signals become distorted, large surpluses are generated, and massive acreage reduction programs are the only recourse to limit budget exposure.

I do not believe that farmers should fear that decoupled payments would be viewed as unnecessary welfare. The American public has proven time and time again that it is willing to provide support to our nation's farmers.

QUESTION FROM SENATOR CONRAD #51

QUESTION:

What are your views on rural development issues? What can be done to revitalize rural America which has not benefited from the last economic recovery? What can and should USDA to do promote rural development?

ANSWER:

A healthy "total" rural economy is a very important factor in sustaining the agricultural component of the nation's economy. American agriculture has rebounded from the farm crisis and even in the light of last year's drought, is respectably healthy. My particular interests in regard to rural development center around international trade and its implications for American agriculture. The programs and areas over which I will be responsible will benefit from increased foreign trade and a generally more open global market. The Department and the Administration must press ahead with the progress that is being made in our international trade relationships. In addition, the Department must explore ways to promote increased "value added" activities within American agriculture as a way of strengthening the rural economy. It is my intention to work to promote increased profitability within production agriculture as well as maintain involvement with the Secretary and the Administration in opening new markets abroad. This will serve to increase income and jobs to the rural economy.

QUESTION FROM SENATOR CONRAD 52

QUESTION:

What are the practical criteria used to make Export Enhancement Program decisions in USDA? Why for example, is EEP denied for exports of barley, durum wheat, and hard red spring wheat when the stocks to use ratios are higher for these commodities than for those currently receiving EEP?

ANSWER:

I believe that most of the concerns about lov participation in the EEP by spring wheat, durum and barley have arisen because of last year's drought in our northern states and the fact that resulting prices of those grains on our market, relative to grain from other parts of our country, became higher than usual. We will certainly look at this question; we want these grains that are produced in our northern states to have a full opportunity to benefit from bonuses equal to those being used for grains that are produced elsewhere in this country. The choice of which type of wheat is bought is up to the foreign buyer.

QUESTION FROM SENATOR CONRAD #53

QUESTION:
As the world becomes more interdependent, do you see more or less need for the coordination of agricultural policies at the international level? How can we manage world agriculture in a more coordinated manner, avoid budget busting trade wars, and maintain U.S. farm income with a "full production" policy? Are new international mechanisms needed so that the U.S. does not have to bear the cost and economic brunt of being the world "residual" supplier and world market stabilizer?

ANSWER:
Coordination of international agricultural policies through the marketplace would be a major result of the adoption of the U.S. proposal now before the GATT under the new round of international trade negotiations. The U.S. experience in trying to "manage" its own agricultural sector over the past half century should give pause to anyone with the idea of trying to "manage world agriculture" through any vehicle other than the marketplace. Global agriculture today is a dynamic industry that changes from day to day and month to month. The best stabilizer is an open marketplace that can respond in a timely fashion to the shocks of weather and other unanticipated changes which should be shared by all the major agricultural producing nations. The "residual supplier" and "world market stabilizer" status that the U.S. has endured in the past is largely due to the closed nature of other countries' agricultural policies and the high loan rates enacted in past farm bills. The U.S. proposal in the GATT trade negotiations provides the best prospect of correcting this deficiency.

QUESTION FROM SENATOR CONRAD 54

QUESTION:

How are markets for agricultural exports going to be developed and expanded in developing countries, given their enormous debt burdens? We know populations are growing and economies are expanding, but are the developing countries going to be able to afford to become commercial markets for U.S. agricultural exports? What is the U.S. going to import from them to allow them to pay for more of our agricultural products? Steel? Textiles? Autos?

ANSWER:

The Uruguay Round trade negotiations recognize the special needs of certain countries relative to their level of development. Furthermore, the Brady Plan outlines an approach to getting debt-burdened countries in the developing world "back on their feet." Access to developed country markets can play a role in achieving an improvement in their trade balances, but this will be useful only if those countries can break the cycle of deficit, inflation and capital flight which has so severely depressed some LDC growth rates in recent years. A resumption of the rates of economic expansion experienced in the 1970's would produce the increases in personal income which fuel demand for agricultural imports. Export credit guarantee programs have played a valuable role in supporting our agricultural exports to these countries despite their economic difficulties, and may need to be continued to sustain this trade until fundamental improvements in the structure of the large debtors' economies are achieved.

QUESTION FROM SENATOR LUGAR 55a

QUESTION:

I would like to pursue your understanding of the GATT situation in the last week, and effective interpretation of what "substantial progressive reductions" means?

ANSWER:

The next 20 months of negotiations will focus on making this framework operational. In order to do so, language such as "substantial progressive reductions" will have to be clearly defined. Our fundamental objective remains the eventual elimination of all trade-distorting measures. The agreement does not, in any way, preclude this outcome.

QUESTION FROM SENATOR LUGAR 55b

QUESTION:

By the term "frozen," does this mean that ceilings have been imposed on subsidies as they are now found, but that it is also a floor? In other words, what is the effect upon our agricultural policy, or the mechanism we have adopted for calendar years 1989, 1990 and 1991?

ANSWER:

Under the short-term elements of the Mid-term Review Agreement, we are committed not to increase overall agricultural support and protection. Specifically, we are committed not to intensify market access barriers or raise support prices to producers, subject to the condition that the commitment be consistent with existing legislation. Our assessment is that this will not require us to do anything differently from what we are now doing. For 1990, our 1985 farm legislation requires cuts in some support prices, and this will be something we will notify in October 1989 in fulfillment of our short-term rollback commitment.

The freeze does not put a floor under levels of support and protection. In fact, the agreement encourages cutbacks during the negotiations by requiring some action to rollback subsidies and by offering credit against long-term commitments for any actions taken during the negotiations.

QUESTION FROM SENATOR CONRAD 56

QUESTION:

How do we determine when we use EEP?

The Export Enhancement Program has virtually been shut down on barley, durum and spring wheat, and it has been shut down even when we have a higher stocks to use ratio than we have for some of the commodities that EEP is being utilized for.

ANSWER:

I believe that most of the concerns about low participation in the EEP by spring wheat, durum and barley have arisen because of last year's drought in our northern states and the fact that resulting prices of those grains on our market, relative to grain from other parts of our country, became higher than usual. We will certainly look at this question; we want these grains that are produced in our northern states to have a full opportunity to benefit from bonuses equal to those being used for grains that are produced elsewhere in this country. The choice of which type of wheat is bought is up to the foreign buyer.

QUESTION FROM SENATOR CONRAD 57

QUESTION:

Senator Conrad. Let me make one other suggestion to you, in terms of something that we would very much appreciate your taking a look at, and that is the calculation of the national average price for barley, for deficiency payment purposes.

Our barley growers feel very strongly that when they calculated the national average price they combined malting barley and feed barley, and obviously, malting barley with the feed barley there are perhaps unintended consequences.

ANSWER:

The Department of Agriculture has no plans to change the method for determining deficiency payments for barley. Deficiency payment calculations have been based on national weighted average market price for all barley since the inception of the program, and the target price for barley is established and widely publicized well in advance of program signup.

A large portion of barley planted and domestically used for feed is of malting barley varieties. Many producers plant malting barley varieties hoping to achieve a high quality product and, therefore, a premium from the malting industry. However, if the quality of their crop is poor, or if there is a surplus of high quality malting barley from other producers, the farmer often sells or uses his "malting barley" crop for feed. It may be many months before the end use of the crop is known. To attempt to treat feed and malting barley differently would create confusion and be almost impossible to administer.

Thus, the program does not discriminate between malting barley and feed barley. Either type may be produced under the program for identical loan and target price protection and both types are grown and marketed by program participants.

QUESTION FROM SENATOR LEAHY 58

QUESTION:

No, President Bush has spoken of his zero tolerance policy for groundwater. How would the Department of Agriculture fulfill that?

NOTATION: Mr. Parnell responded partially to this question (Page 29), and added that he would supply additional information for the record. The answer for the record follows.

ANSWER:

The President is on record as being committed to protecting the Nation's groundwater resources from contamination by fertilizers and pesticides without jeopardizing the economic vitality of U.S. agriculture. We agree that water quality programs will lead to alterations in fundamental farm production practices. The imposition of a zero tolerance policy for groundwater is not technologically feasible at this time, and I don't believe that is what the President is suggesting. Our immediate objective is to reduce groundwater contamination through development of alternative farming practices, research, and education programs.